

Treasury Overview and Priorities

2021-2023 Biennium



OREGON
STATE
TREASURY



PROTECTING PUBLIC TRUST FUNDS



HELPING FAMILIES SAVE FOR HIGHER EDUCATION



HELPING GOVERNMENTS SUCCEED



PROTECTING RETIREMENT SECURITY



Oregon's Financial Services Hub

Treasury Vision

Leading the way for Oregonians to achieve long-term financial security.

Treasury Mission

To provide financial stewardship for Oregon.

\$118 billion

Assets under management

December 2020

\$294 billion

Value of banking transactions processed in 2019

\$2.5 billion

Oregon College Savings assets

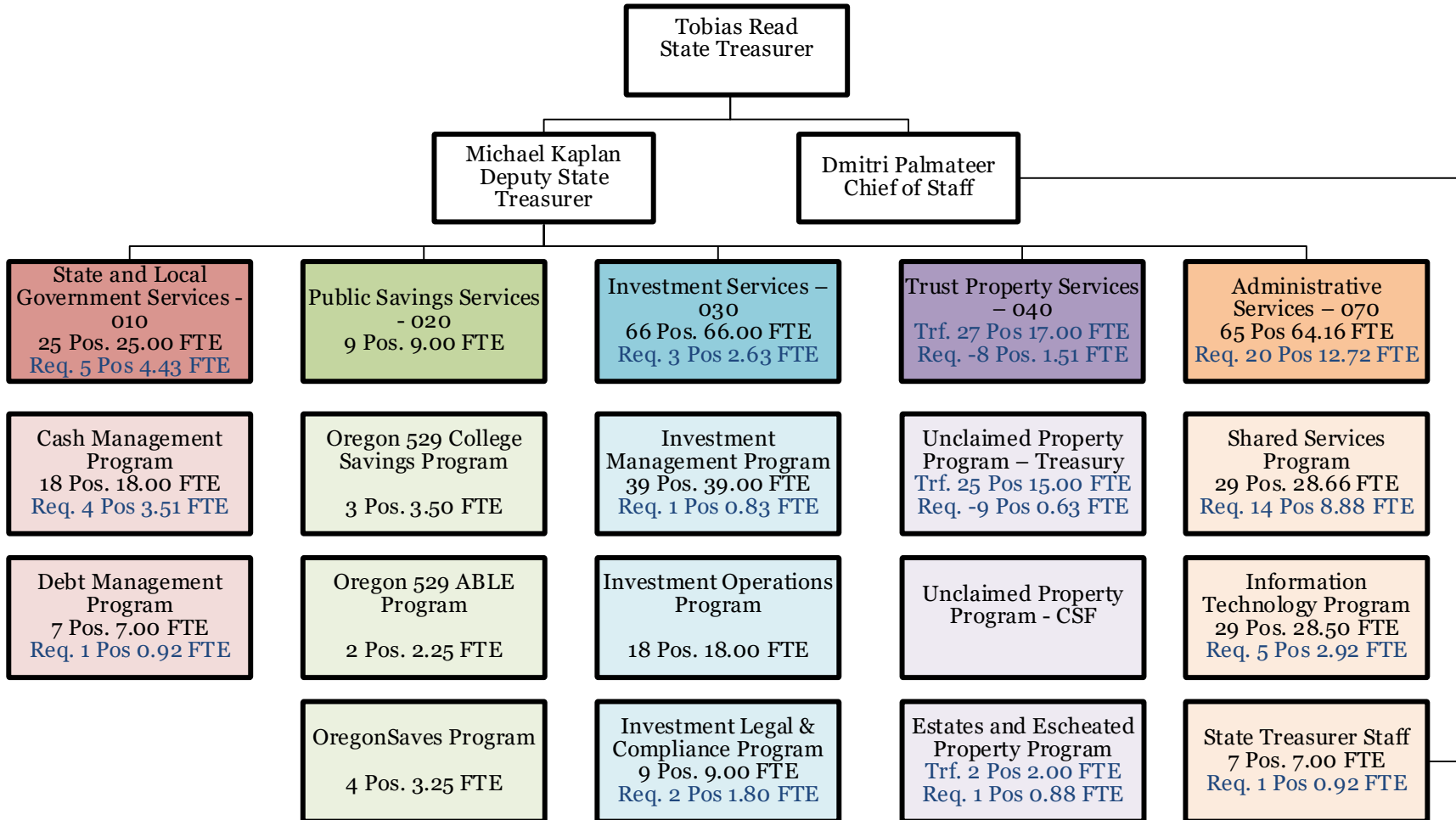
December 2020

Aa1/AA+/AA+

Oregon's Credit Rating



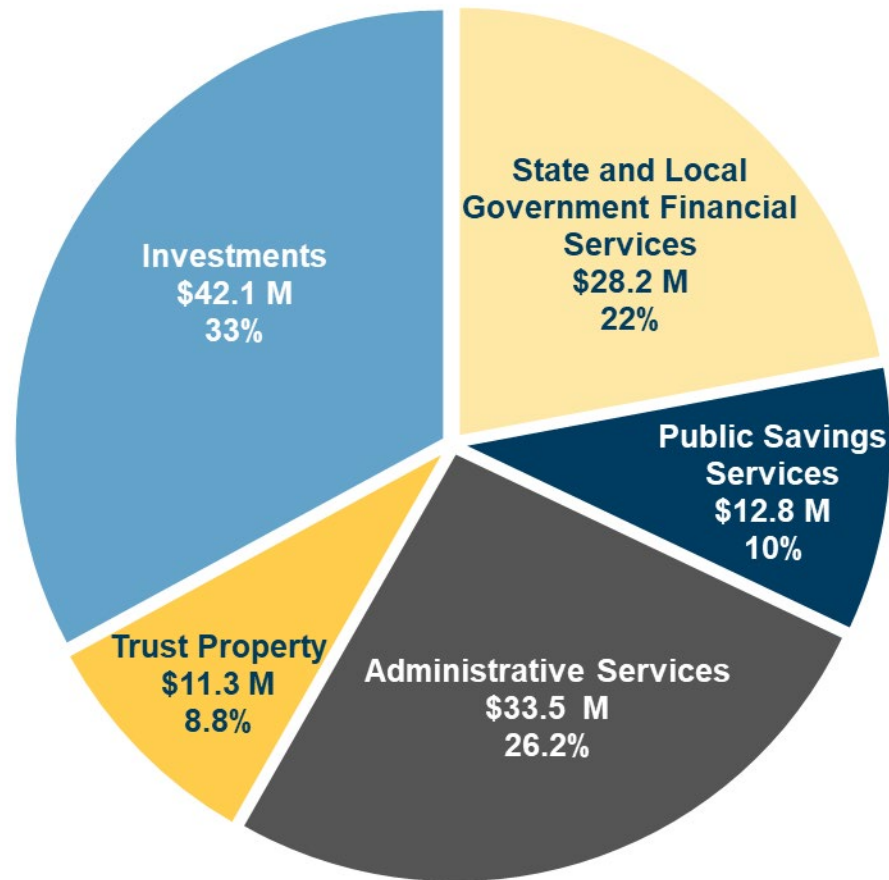
Treasury Team



Current: 165 Pos. 164.16 FTE
 Transfer: +27 Pos. 17.00 FTE
 Requesting: +20 Pos. 21.29 FTE

2021-23 Budget Blueprint

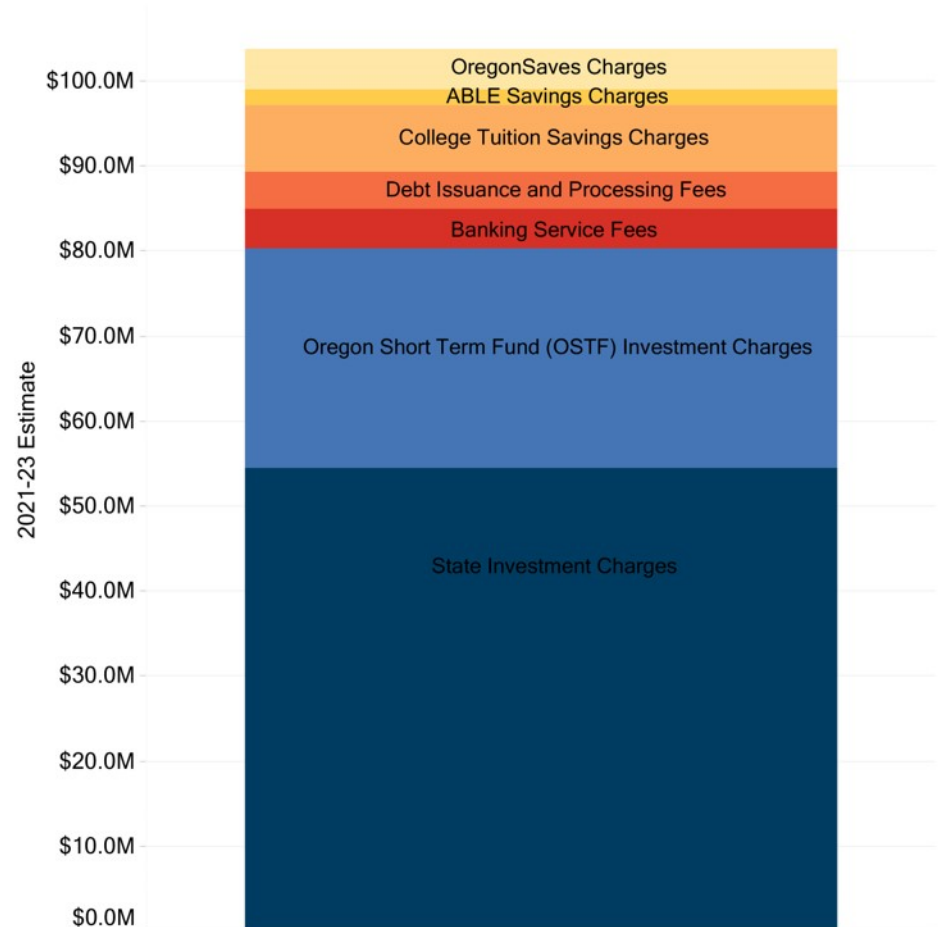
Treasury is 100% Other Funds with all costs covered by fees charged for services provided to customers



2021-23 Revenue

- ORS 293.178 – State Investment Charges & OSTF Investment Charges
- ORS 293.353 – Banking Service Fees
- ORS 287A.014, .634(3) – Debt Issuance and Processing Fees
- ORS 178.320 – College Tuition Savings & ABLA Savings Charges
- ORS 178.205(d) – OregonSaves Administrative Charges

Pages C1:C7



Key Agency Milestones 2013-2019

- 2013-15
 - Began Cash Management Improvement and Renewal Program
- 2015-17
 - Investment Division began first-phase capacity expansion
 - Oregon ABLE Saving Plan development and launch
- 2017-19
 - Second-phase capacity expansion in the Investment Division
 - Launched OregonSaves
 - Established ESG risk function
 - Replaced Local Government Investment Pool banking system
- 2019-21
 - Completed first part of EFT modernization project, with successful move to new service provider
 - Transitioning Trust Property program from the Department of State Lands to Treasury



2019-2021 Highlights

- In-house investment management activities → fee savings of nearly \$2 million per month and excess performance of \$228 million in 2020.
- Investment policies now include diversity and inclusion and environmental, social, and governance factors.
- New refundable tax credit for education and job training savings is first in the nation.
- The Electronic Funds Transfer Business Systems Renewal project is bringing efficiencies and cost-savings to the millions of electronic payments processed each year on behalf of Treasury customers.
- New partnership with Oregon BottleDrop allows Oregonians to transfer money from their redemption accounts directly into their Oregon College Savings Plan and Oregon ABLE accounts.
- OregonSaves retirement savings program → 86,000+ people saved more than \$80 million by December 2020, just over three years after the program began.
- Refunding public bonds at historically low interest rates has saved state government \$125 million and counting so far in fiscal year 2021.

Key Performance Measures – Current

#1: 5-Year OPERF Investment Performance	#2: 5-Year Common School Fund Performance
7.54% Target 8.50% (Dec 2019)	6.86% Benchmark 7.50% (Dec 2019)
#3: Annual Short Term Fund Performance	#4: Short Term Fund Expense Ratio
3.32% Benchmark 0.50% (Dec 2019)	0.06% Target 0.50% (Dec 2019)
#5: Local Government Participation in the Short Term Fund	#6: Average Cost per Banking Transaction
66% Target 75% (June 2020)	\$0.032 Target \$0.035 (Dec 2019)

Key Performance Measures – Current

#7: Outstanding Oregon School Bond Guaranty Program Bonds		#11: Positive Customer Service Rating	
\$8.5 B	Target \$7.8 B (June 2020)	82%	Target 100% (Dec 2020)
#8: Oregon 529 Savings Network Accounts		#9: Percent of Minors with 529 College Savings Accounts	
205,502	Target 170,000 (June 2020)	11.7%	Target 11% (June 2020)
#10a: State Outstanding Debt Tracked		#10b: Local Government Outstanding Debt Tracked	
\$11.2 B	\$12.8 B (June 2020)	\$26.9 B	\$22.6 B (June 2020)



Key Performance Measures – Modified and New

#1 Modified: Oregon Public Employees Retirement Fund Net Performance		#10 Modified: Oregon Debt Activity	
Historical 20-year Net Performance compared to target returns. Current: 6.98%	Proposed Targets 2021: 7.2% 2022: 7.2% 2023: 7.2%	Levels of General Fund Debt Outstanding per calendar year. Current: \$3.9B	Proposed Targets 2021: \$4.6B 2022: \$5.1B 2023: \$5.6B
NEW: Adherence to Board Best Practices		NEW*: 529 College Savings Account Penetration Rate	
Defines best practices for 529 and OregonSaves Boards and measures adherence.	Proposed Targets 2021: 100% 2022: 100% 2023: 100%	Total number of 529 Accounts / Total Population Current: 4.8%	Proposed Targets 2021: 4.9% 2022: 5.0% 2023: 5.0%

**KPM deletions, modifications, and additions were presented in a report to the Legislature during the February 2020 Session, with the exception of the 529 program deletions (current KPMs #8 and #9) and the replacement new KPM listed above. These accordingly represent additional new proposed changes that have not been previously discussed with and reviewed by legislators.*

2021-23 Budget Priorities

- Continue efforts to modernize core banking and cash management services and ensure no-fail operations.
- Support increase in debt management volume for new affordable housing across the state.
- Support in-house investment services, which save millions each year, along with related legal and compliance responsibilities.
- Implement next steps in Treasury's efforts to boost operational resilience, move accounting services in-house, support public recordkeeping, and deepen IT security.
- Transfer positions and equipment associated with Trust Property programs to ensure continuous delivery.



Budget Drivers and Risks

Drivers

- Increasing demand for Treasury-facilitated investing, bonding, banking, and financial empowerment services.
- System and infrastructure modernization focused on financial industry best practices and emerging trends.
- Volatile global markets require nimble response, capacity, up-to-date research tools, and internal technical knowledge to achieve investment goals.

Risks

- Changing federal landscape requires flexibility from private sector partners, state agencies, and other partners throughout the state.
- Increasing pace of cybersecurity requirements and standards and evolving technologies.
- Staffing and resource concerns within state and local government.



2019-21 Impacts from COVID, Wildfires, and More

- The last few years, we've faced multiple threats to business continuity, demonstrating the co-benefits of effective risk and recovery-based planning.
- Challenges have included water quality, power supply, air quality effects from wildfire, and a historic pandemic.
- Treasury has been able to weather these challenges thanks in part to previous investments in emergency prep.
- When wildfire ash affected Treasury computer servers, we were able to act quickly thanks to emergency planning.
- When COVID hit, thanks to previous investments in hardware, software, IT security, and business processes, we were able to send the majority of staff home to work without any disruption or delay to services.
- Additional investments have been made to IT security, continuity of operations planning, and preparation for a new resilient building in 2022.

Proposed Legislation

HB 2158 Implementation of SB 454 (2019). Our 2021-23 budget implements SB 454, transferring Department of State Lands' Trust Property (unclaimed property/estates) programs to Treasury. HB 2158 makes the necessary statutory adjustments for the transfer.

HB 2157 Investment fee adjustment. The State Treasurer is the state's investment officer, and Treasury operations are funded through small fees on assets under management. The fees are statutorily capped and have not been adjusted in more than 20 years.

SB 485 Student loan servicer licensing. Accessing post-secondary education and training is an important part of securing economic opportunity and long-term financial well-being. We're supporting SB 485 to regulate student loan servicers and protect Oregonians from unscrupulous lending tactics.

Cash Management Program

Program Overview

- Provides banking services for agencies and participating public universities
- Protects data and generates account statements and reports
- Manages local government access to the Oregon Short Term Fund
- Safeguards public funds

Budget Snapshot

- Revenues primarily from banking service charges (ORS 293.353) and OSTF management fees (293.178)
- 2021-23 request: \$25.1 million, 22 positions

\$294 billion

Total transaction volume in 2019

16 million

Total transactions in 2019



Local Government Services

- 1,039 cities, counties, school districts, and other local governments—representing just over \$11.3 billion—participate in the Local Government Investment Pool, which is part of the Oregon Short Term Fund.
- The Oregon Short Term Fund makes money available to local lenders through the Time Certificates of Deposit Program, and those assets can then be loaned to small businesses



POP 106 – Cash Management Modernization and Resiliency

Purpose: Replace Oregon’s core banking system.

Summary: The Cash Management Modernization and Resiliency policy package requests expenditure limitation to support the modernization of Treasury’s core banking functions, as well as position authority and related expenditure limitation for four permanent full-time positions to continue to modernize and improve the resiliency of Treasury’s cash management operations, including to specifically modernize the systems and processes that sit at the heart of the state’s cash management infrastructure.

Request: \$10,406,857

4 Positions / 3.51 FTE

Pages D-23:D-25



POP 106 – Cash Management Modernization and Resiliency

- The Core Banking project aims to modernize the critical systems and processes at the center of the state’s cash management activities.
- Treasury’s current banking systems were implemented in the late 1990s.
- In 2013, Treasury began replacing key components of the aging infrastructure.
- Having replaced those components, the next phase is to replace the core Demand Deposit Account system.
- This system interacts with Treasury’s partners, including commercial banking partners, state agencies, the Department of Administrative Services’ Statewide Financial Management System, and other third-party vendors.
- Project start: **2021-23 biennium**; project completion: **2023-25 biennium**.
- The resources in this request will allow Treasury Cash Management to continue to support evolving statewide financial needs.

Debt Management Program

Program Overview

- Treasury is the issuer of all State of Oregon bonds on behalf of state agencies
- Coordinates the rating strategy for state bonding programs
- Chairs the State Debt Policy Advisory Commission and Private Activity Bond Committee

Budget Snapshot

- Self supporting with revenues from bond issuance, tracking, and other fees
- 2021-23 request: \$3.2 million, 8 positions

Aa1/AA+/AA+

Oregon General Obligation
Credit Rating

\$1.56 billion

SDPAC Target 2021-23 New GO
Debt Issuance

Aa2/AAA

Oregon Lottery Bond Credit
Rating

\$407 million

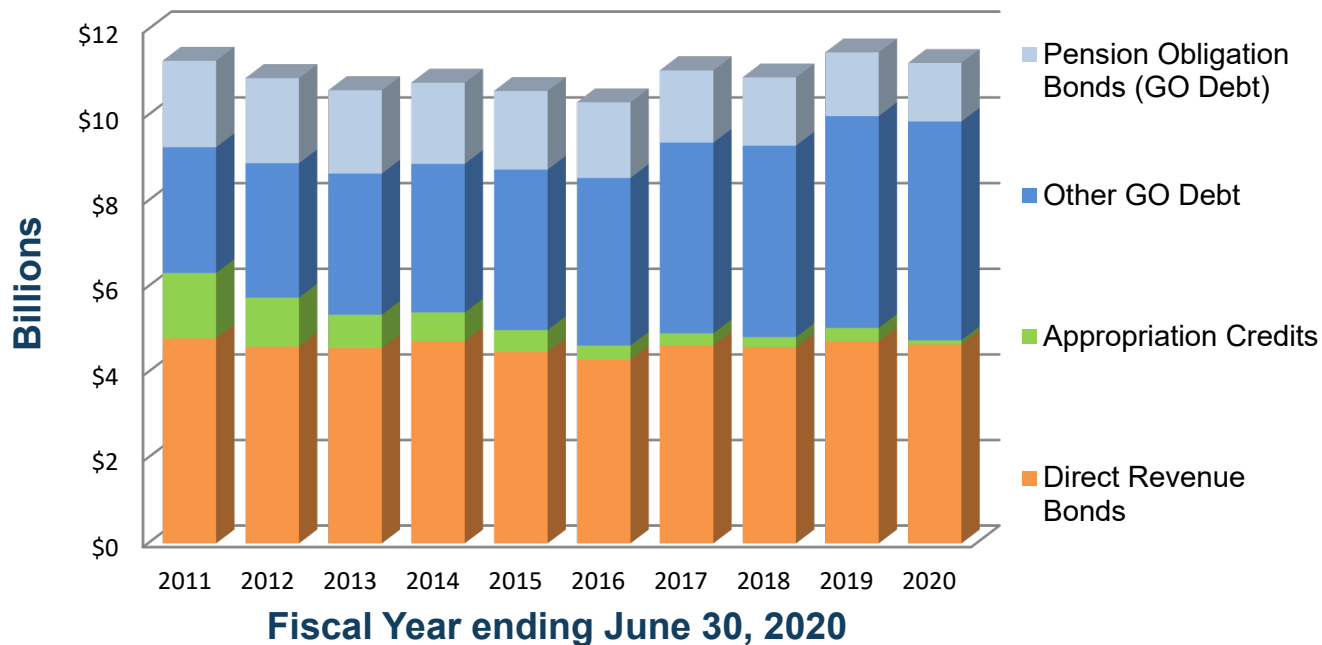
SDPAC Target 2021-23 New
Lottery Debt Issuance



Total State-Backed Indebtedness

- State-backed, long-term debt outstanding was ~\$11.2 billion as of June 30, 2020
- Does not include conduit, state-issued bonds (not state-backed)
- SDPAC recommended debt limits: \$1.56 billion General Obligation, \$407 million Lottery

**Trends in Oregon's Bonded Indebtedness
(FY 2011 to FY 2020)**



POP 104 – Housing Bond Staffing

Purpose: Provide necessary staffing for Housing Bond issuance workloads.

Summary: Treasury is requesting the addition of a senior debt analyst (Program Analyst 4) in the Debt Management Division to oversee the sharply increasing bond issuance activity related to multifamily housing production being coordinated through various programs at the Oregon Housing and Community Services Department (OHCS).

Request: \$245,284

1 Position / 0.92 FTE

Pages D-26:D30

POP 104 – Housing Bond Staffing

- Oregon has a growing crisis in housing availability and affordability.
- OHCSO projects a statewide need for over 85,000 new, affordable units to house underserved Oregon households that earn less than 30% of median family income.
- Average annual number of transactions for the first part of the decade was approximately three per year, but since FY 2017, the pace has accelerated.
- Robust growth in the number of transactions is projected for the balance of the 2021-23 biennium based on the increased legislative authorization for GO bonds for LIFT and other supportive housing grant programs at \$80 million and \$15 million per year respectively.

Issuance of Multifamily Conduit Housing Revenue Bonds on Behalf of Oregon Housing and Community Services Department
As of 4/1/2020

Fiscal Year	No. of Transactions	Conduit Housing Revenue Bonds Issued
2010	3	\$ 40,186,958
2011	4	31,683,000
2012	1	7,657,706
2013	2	33,002,000
2014	1	5,193,296
2015	6	131,928,822
2016	3	29,900,000
2017	7	70,115,000
2018	10	140,675,944
2019	14	204,805,571
FY 2020 to date	12	142,889,143
	63	838,037,440
Projected by OHCSO		
Balance of FY 2020	10	128,310,000
First Half FY 2021	9	167,150,000
Second Half FY 2021	TBD	100,000,000

Oregon Savings Network



Assets
\$84.7 million
December 2020

Accounts
87,809
December 2020



Assets
\$31.9 million
December 2020

Accounts
3,615
December 2020



Assets
\$2.5 billion
December 2020

Accounts
124,624
December 2020

Budget Snapshot

- Revenues derived from account administration fees and payments from plan providers (ORS 348.857)
- 2021-23 request: \$12.8 million, 9 positions

Oregon Savings Network



- State-sponsored retirement savings program
- Employees without access to an employer-sponsored retirement plan are auto-enrolled in OregonSaves and contribute part of their paycheck to personal IRAs that stay with them throughout their careers
- Benefits employers that do not offer a qualified retirement plan, helping them stay competitive
- Overseen by the Oregon Retirement Savings Board



- Launched in December 2016 to help people with disabilities save money without losing critical government benefits
- We're partnered with Washington state and are looking to include other states to reduce fees



- State-sponsored, tax-advantaged savings program; can be opened by just about anyone
- Tax-free savings can be used for qualified expenses at accredited post-secondary institutions, trade schools, or registered apprenticeships
- Identified by Morningstar as a Silver "best-in-class option"

Investment Management Services

Program Overview

- Manages diversified institutional portfolios on behalf of agencies, universities, beneficiaries

Budget Snapshot

- Self-supported with fees associated with portfolio management (ORS 293.718)
- 2021-23 recommendation: \$42.1 million, 69 positions

Legal and Compliance

Investment Accounting

Cash Management
Portfolio Admin
Financial Reporting
Expense Tracking

Reconciliation

Investment Book of Record
Accounting Book of Record
Investment Manager Data
Consultant Data
Custodial Data

Performance

Oregon Investment Council Reporting
Public Reporting
Web Updates
PERS Reporting
Internal Reporting

Trade Operations

Daily Report
Monitoring
Counterparty Maintenance
Cash Process
Cash Exceptions
SM Pending

Data Mgmt/Analysis

Data Integrity
Security Master
Security Characteristics
Analytics



Corporate Engagement

- Corporate governance efforts include a range of ESG factors (Environmental, Social, and Governance) such as climate risk disclosure and transparency, shareholder access, board diversity, and executive compensation.
- Treasury engages with companies and regulatory bodies to enhance long-term value and promote sustainable market conditions.
- Oregon is part of an international effort to create uniform ESG reporting standards, led by the Sustainability Accounting Standards Board.
- In 2020, we cast more than 87,000 proxy votes. As of 2018, \$2.8M had been recouped in securities litigation.
- These standards will lead to better-informed investment decisions. Oregon is poised to capitalize on the new data with a formal ESG risk function.



POP 107 – Investment Services Workload

Purpose: Provide middle and back office investment staffing to meet current workloads.

Summary: Treasury and Investment Services in particular have seen a substantial expansion in recent years. The investment environment that the program operates in has also grown increasingly complex. To meet the growing operational needs, Treasury is requesting the addition of three permanent, full-time staff to help address legal, compliance, and portfolio risk workloads.

Request: \$854,682

3 Positions / 2.63 FTE

Pages F-25:F-26

Trust Property Services

Program Overview

- Senate Bill 454 (2019) transferred the Trust Property program from Department of State Lands to Oregon State Treasury. The program has two primary areas of operation: unclaimed property and escheated estates.
- Returns money and other possessions reported to and collected through the Unclaimed Property Program to their rightful owners.
- Serves as the estate administrator for Oregonians who die without a will or known heir.

Budget Snapshot

- Revenues primarily from interest earnings on invested assets and fees charged to estates.
- 2021-23 request: \$8.4 million limited, \$2.9 million non-limited, 19 positions.

Transitioning Trust Property

SB 454 (2019) → HB 2158 (2021)

1. POP 101: Transfer

- Meets the requirements of SB 454 to move Trust Property to Treasury

2. POP 102: Operate

- Makes necessary budget adjustments for Treasury to receive program

3. POP 103: Connect with Oregonians

- Achieve compliance with program objectives and legal requirements



POP 101 – Trust Property Transition

Purpose: Implement the transfer required under SB 454 (2019).

Summary: This POP implements the legislative action taken in the 2019 session with the passing of Senate Bill 454, which formally moved the duties and statutory responsibilities of Uniform Disposition of Trust Property Act, unclaimed estates, and escheating funds—including associated employees, responsibilities, systems, legal obligations, property, and records—to the Oregon State Treasury. Authority for funding the program was not transferred in the original SB 454 (2019), and is addressed separately in HB 2158.

Transfers: \$10,159,335

27 Positions / 17.00 FTE

Transfers 17 full programmatic positions and 10 fractional support staff positions and related budget on a one-to-one basis from DSL, with only immaterial variances between the Transfer POPs primarily due to system-driven calculations.

Pages G-23:G-26



POP 102 – Trust Property Adjustments

Purpose: Make necessary staffing and limitation adjustments for Treasury to receive the Trust Property program.

Summary: POP 101 transfers the Trust Property programs, responsibilities, budget, and staff from the Department of State Lands to Treasury. While the program staff are transferred directly, supporting operations do not transfer as cleanly. This is primarily due to the transfer of fractional positions for supporting operations and due to differences in service delivery models. For example, the Information Security programs have different scopes between the two agencies. To maintain the network security required for Treasury programs, additional staffing is necessary.

Request: \$1,233,466
o Positions / 3.75 FTE

Pages G-27:G-33

POP 103 – Trust Property Improvements

Purpose: Provide additional staffing for Trust Property workloads.

Summary: This POP will begin to provide resources to address increasing workloads from Trust Property programs and allow them to achieve much-needed improvements for Oregon citizens, program participants, and the Common School Fund. The positions described in this POP are necessary because staffing levels have not sufficiently kept up with program growth. The programs have been operating at or above capacity for years, and the level of service provided to Oregonians has consistently declined.

Request: \$927,857

4 Positions / 4.26 FTE

Pages G-34:G-41

Administrative Services Program

Program Overview

- The Administrative Services Program has three units providing Treasury-wide business and support services: Shared Services, Information Technology Services, and State Treasurer staff.
- The Shared Services section includes the Deputy State Treasurer, who provides operational leadership to Treasury, along with budget, accounting, human resources, procurement, data and records management, facilities operations, risk management, and project management.
- The Information Technology Program's primary purpose is to deliver resilient, robust, and customer-centric IT services for Treasury through secure and stable systems and network connectivity. Resilient IT networks provide the foundational platform for all Treasury business operations.
- The State Treasurer Staff includes the State Treasurer, the Chief of Staff, and the necessary program staff to support the State Treasurer.

Budget Snapshot

- 2021-23 request: \$33.5 million, 85 positions

POP 105 – Treasury Resiliency

Purpose: Improve the resilience of Treasury’s physical resources.

Summary: Treasury provides a variety of programs to benefit Oregonians; responsibilities are based on a core set of duties found in ORS 178.050. This statute requires the Treasurer to keep an office; receive, manage, and pay out funds received; and to be open at all times for inspection and examination. These core financial activities provide the cash flows for state government. The need for Treasury to be open and operational at all times is core to our mission.

This request includes the resources necessary to improve the resiliency of Treasury facilities, improve emergency supplies, and increase outreach to Oregonians on improving their emergency financial preparedness. To accomplish this, Treasury is requesting the creation of two new positions and an increase of \$2,514,241 in limitation.

Request: \$2,514,241

2 Positions / 1.42 FTE

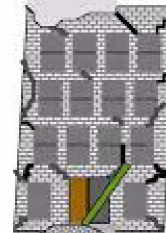
Pages H-19:H-25

Designing for Risk and Recovery

- U.S. buildings are designed to protect life in smaller earthquakes. Many new buildings could be non-occupiable and unusable for extended periods after a major earthquake.
- Treasury worked with the design team to develop criteria based on potential natural disasters and to ensure that the resulting building is *usable*, not just safe to enter.

Treasury's Resilient Building Design

- Base isolation to reduce seismic risk, earning a **U.S. Resiliency Council Platinum** safety rating
- On-site solar energy production with back-up 96-hour emergency power
- Emergency water and septic systems and water conservation features
- Energy conservation and efficiency measures to reduce overall electric load, which should achieve net-zero energy status while reducing carbon emissions by 40%
- Advanced ventilation and air filtration features
- Data and telecommunications redundancies to support connectivity after a catastrophic event



Performance Objective

Operational

Immediate Occupancy

Life Safety

Collapse Prevention

Recovery Time

Immediate

Days to Weeks

Weeks to Months

Months to a Year



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POP 108 – Information Security

Purpose: Establish permanent position for current limited duration Cyber Security analyst.

Summary: Oregon Treasury presents a high value target for cyber criminals. The nature of the financial operations at Treasury require that we maintain a highly secure network environment. For the 2019-21 budget, a Limited Duration (LD) Senior Security Analyst position for Oregon State Treasury was authorized to address security threats, expand security preparedness and responsiveness, and enhance the agency's security posture. Treasury is successfully addressing these issues, but this will remain an ongoing effort, and Oregon State Treasury requests that the committee approve making the LD a permanent position.

Request: \$267,323

1 Position / 0.92 FTE

Pages H-26:H-27

POP 109 – State Treasurer Staffing

Purpose: Provide necessary staffing to the State Treasurer.

Summary: As a statewide elected official, the State Treasurer has a variety of duties that require dedicated staffing for the Treasurer’s office. The positions are executive service, and the people in the positions typically change with each administration. Because each administration has a slightly different view on the types of positions necessary, actual staffing and budgeted staffing can vary. Historically, this was accommodated by utilizing various vacancies across the agency. The recent budget structure shift places the State Treasurer’s staff into a much smaller budget group that has had lower turnover rates. This practice is no longer a viable option, and requires matching actual staffing to budgeted levels. Treasury is requesting the reclassification of four positions and one new permanent full-time position to provide an adequate level of staffing for the State Treasurer.

Request: \$293,121

1 Position / 0.92 FTE

Pages H-28:H-29

POP 110 – Public Records Management

Purpose: Dedicate staffing to fulfilling public records requests.

Summary: Oregon State Treasury has identified strategies to improve the efficiency and reduce the cost of responding to public records requests. Currently, Treasury's Public Information Director, in collaboration with administrative staff, shared services staff, internal legal resources, and the Department of Justice, must all cobble together responses to requests. The business case articulates a solution in which a permanent part-time position with the requisite legal training could be hired to handle a larger share of the administrative processing, exemption review, redaction, and negotiation with requestors at a lower cost than OST's current model.

Request: \$122,308

1 Position / 0.46 FTE

Pages H-30:H-31

10% Reduction Options (ORS 291.216)

Activity or Program (which program or activity will not be undertaken)	Describe Reduction (Describe the effects of this reduction. include positions and FTE in 2019-21 and 2021-23)	Amount and Fund Type (GF, LF, OF, FF. Identify Revenue Source for OF, FF)	Rank and Justification (Rank the activities or programs not undertaken in order of lowest cost for benefit obtained)
Other Fund (5% Target \$5,042,081 10% Target \$10,084,163)			
Reduction – Hiring Freeze	This reduction would require instituting a 12-month hiring freeze for all positions that become vacant during the biennium. This action would cause delays in ongoing projects and service delivery.	Based on historical rates extending from an average of 4 months to requiring 12 months would result in Other Funds expenditure reduction of \$1,080,398.	1
This reduction would eliminate the public funds collateralization program (ORS Chapter 295). Statutory changes would be required to affect this elimination, as program is required by Oregon law.	This reduction would eliminate the public funds collateralization program (ORS Chapter 295). Statutory changes would be required to affect this elimination, as program is required by Oregon law.	Other Funds expenditure reduction of \$464,705. Commercial Banks and Credit Unions that participate in the program reimburse OST for 100% of the cost of the program.	2

10% Reduction Options (ORS 291.216)

Activity or Program	Describe Reduction	Amount and Fund Type	Rank and Justification
Reduction – Eliminate the Oregon Retirement Savings Program	This reduction would eliminate the Oregon Retirement Savings Program (ORS 178.200 o 178.245). Statutory changes would be required to implement this elimination, as well as changes to Oregon’s tax law. All current accounts would be liquidated and the proceeds returned to the account holders. Reduction would have absolutely no impact on the state budget as the Program is funded by administrative fees paid by the investors and the Program Managers. Funds cannot be used for any other purpose.	Additional Other Funds expenditure reduction of \$4,521,749. All revenue supporting this program is received from Plan Managers.	3
Reduction – Eliminate the Oregon 529 ABL Savings Program	This reduction would eliminate the Oregon 529 ABL Savings Network Program (ORS 178.375 to 178.385). Statutory changes would be required to implement this elimination, as well as changes to Oregon’s tax law. All current accounts would be liquidated and the proceeds returned to the account holders, creating a potential tax liability for the account holders. Reduction would have absolutely no impact on the state budget as the Network is funded by administrative fees paid by the investors and the Program Managers. Funds cannot be used for any other purpose.	Additional Other Funds expenditure reduction of \$1,773,497. All revenue supporting this program is received from Plan Managers.	4

10% Reduction Options (ORS 291.216)

Activity or Program	Describe Reduction	Amount and Fund Type	Rank and Justification
Reduction – Eliminate the Oregon 529 College Savings Program	This reduction would eliminate the Oregon 529 College Savings Network Program (ORS 178.335 to 178.355). Statutory changes would be required to implement this elimination, as well as changes to Oregon’s tax law. All current 529 accounts would be liquidated and the proceeds returned to the account holders, creating a potential tax liability for the account holders. Reduction would have absolutely no impact on the state budget as the Network is funded by administrative fees paid by the investors and the Program Managers. Funds cannot be used for any other purpose.	Additional Other Funds expenditure reduction of \$6,415,712. All revenue supporting this program is received from 529 Network Plan Managers.	5

Long-Term Vacancies

- Current* Vacant Positions: **14**
- In Active Recruitment: **11** (*remaining 3 nearing that stage*)
- Positions Held Vacant for Budget Purposes: **0**
- Positions Vacant for 12+ Months: **0**
- Positions Vacant for 6+ Months: **4** (*details below, all 4 are in active recruitment*)

SCR	Pos No	Pos Class Title	Pos Typ	Vacant Date	Months Vacant
030-00 Investment Services	1239001	Investment Officer 3	PF	8/3/2020	6
030-00 Investment Services	1217001	Investment Analyst 2	PF	7/31/2020	6
030-00 Investment Services	0023002	Executive Support Specialist 1	PF	3/16/2020	11
070-00 Administrative Services	0104002	Human Resource Analyst 3	PF	8/4/2020	6

* As of February 22, 2021



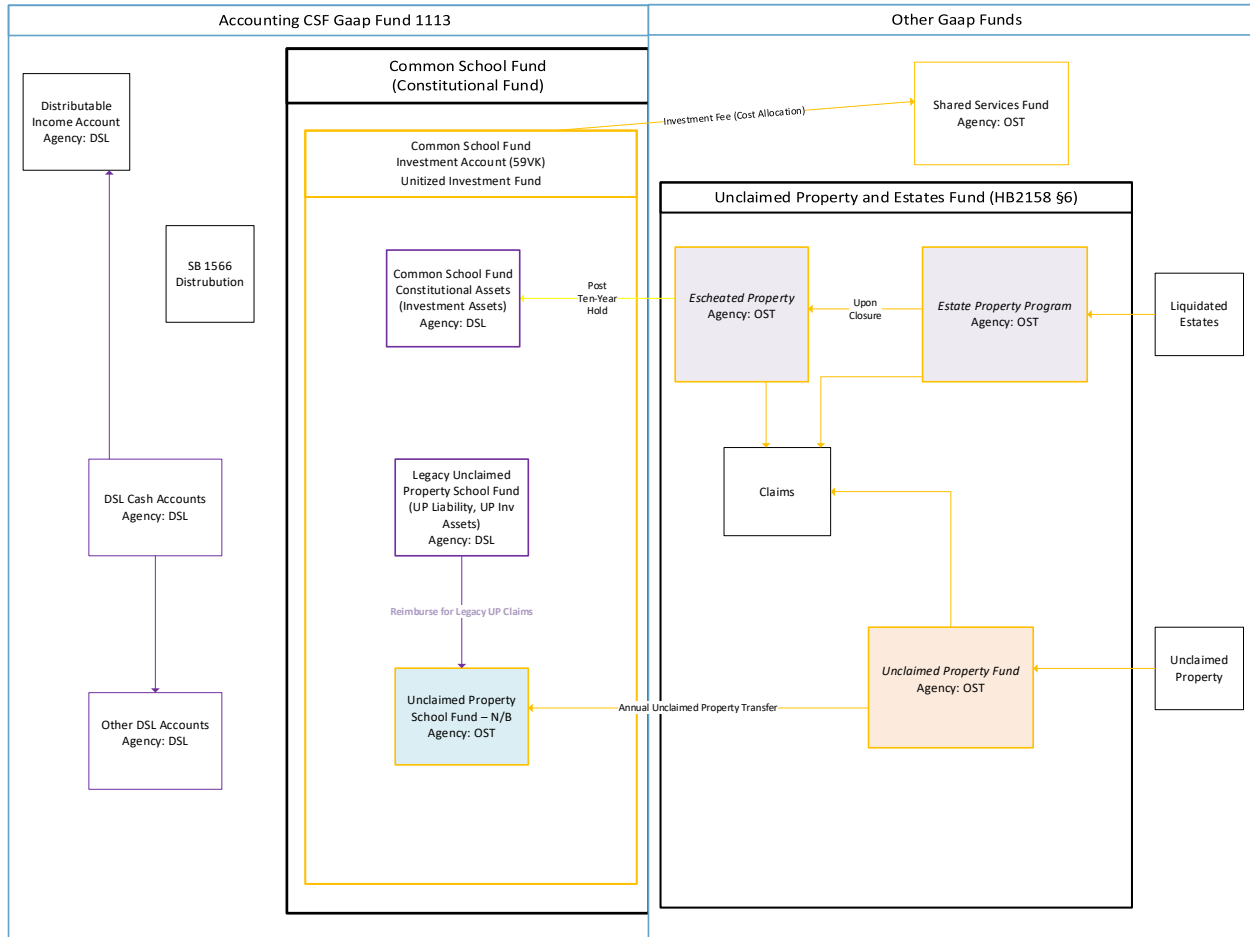
OREGON STATE TREASURY

Tobias Read
Oregon State Treasurer

350 Winter St NE, Suite 100
Salem, OR 97301-3896

oregon.gov/treasury

Common School Fund & Trust Property Account Structure



Appendix

Supplemental Reports:


- Treasury has not received any reportable findings from *Secretary of State Audits* in the last three years.
- There have been no material *recent changes to agency budget and/or management flexibility affecting agency operations.*
- Treasury does not have any *capital projects or IT projects* that are over the reporting threshold.

Appendix

Other Funds Ending Balance Form:

UPDATED OTHER FUNDS ENDING BALANCES FOR THE 2019-21 & 2021-23 BIENNIA

Agency: Oregon State Treasury (OST)
 Contact Person (Name & Phone #): Matt Smith - (503)378-3562



(a) Other Fund Type	(b) Program Area (SCR)	(c) Treasury Fund #/Name	(d) Category/Description	(e) Constitutional and/or Statutory reference	(f) 2019-21 Ending Balance		(g) 2021-23 Ending Balance		(i) Comments
					In LAB	Revised	In CSL	Revised	
Limited	17000-001-00-00-00000 (Treasury Services)	0401 / 'Miscellaneous Receipts Account Established in the General Fund'	Operations	ORS 286A.014, 293.353, 293.718, 294.865, 295.106	10,610,427	17,833,132	13,822,458	21,045,163	The column (g) amount reflects the latest projections for AY21. Assumptions regarding revenue and expenditure trends in AY23 remain materially unchanged, and therefore Column (i) is only increased to reflect the updated carryforward from AY21. The revised estimated AY21 ending balance provides a 4.86 month working capital reserve, based on AY23 CSL total expenditures divided by 24 months, which is marginally above the approximate 3-4 month <i>minimum</i> need for typical cashflow purposes, and likely within the needed range for an atypical 2021-23 biennium due to the ongoing crisis and potential policy package impacts.
Limited	17000-002-00-00-00000 (Oregon 529 Savings Network)	1128 / 'Oregon 529 Savings Network Fund'	Operations	ORS 178.320	576,552	2,534,541	1,436,742	3,394,731	The column (g) amount reflects the latest projections for AY21. The revised estimated AY21 ending balance provides a 7.43 month working capital reserve, based on AY23 CSL total expenditures divided by 24 months, which is expected to be sufficient for an aggregate working capital need based on current assumptions.
Limited	17000-003-00-00-00000 (Oregon Retirement Savings Program)	1543 / 'Oregon Retirement Savings Plan Administrative Fund'	Operations	ORS 178.225	213,315	213,315	295,244	295,244	The column (g) amount reflects the latest projections for AY21, which are materially unchanged from the 2019-21 LAB amounts. The (unchanged) revised estimated AY21 ending balance provides a 1.13 month working capital reserve, based on AY23 CSL total expenditures divided by 24 months, which is likely below the minimum need for cashflow purposes (estimated working capital need will be refined as the new ORSB program matures).

Note re Program Area (SCR) Column:

Form instructions for this column (B) below indicate SCRs are to be listed as 'included in the 2019-21 Legislatively Approved Budget.' Treasury SCRs are listed accordingly above consistent with these instructions based on the 2019-21 structure, but please note that there was a substantial restructure for all Treasury SCRs in the 2021-23 budget development process.

The Treasury Fund structure will remain the same in the new structure for current programs, and Treasury will work with LFO on how to address the SCR changes for current programs in future updates for this report.

Additionally, the Trust Property program moving from State Lands to Treasury in 2021-23 is not included here since it was not part of the 2019-21 Legislatively Approved Budget, but will also be incorporated in this report in future updates.

Additional Materials (re Revised Ending Balance Variances):

The SCR 001/Treasury Fund 0401 Treasury Services line reflects a material increase in the revised 2019-21 Ending Balance due in large part to typical volatility in revenue streams, including an unexpected small but consistent improvement in revenue actuals over conservative projections during the COVID crisis timeframe. Additionally, earlier in the 2019-21 biennium Treasury had reduced planned expenditures based on the conservative assumption that the Salpot limitation would not be made available and over concerns regarding unforeseeable impacts of COVID crisis on both limitation and revenue. With the late and unexpected passage of the Salpot increases just a few weeks prior to this report, Treasury is still in the process of reassessing project and other needed expenditures. Accordingly, both revenue and expenditure projections driving the projected ending cash balance have been adjusted to reflect this uncertainty and may continue fluctuating more substantially than in previous biennia.

The SCR 002/Oregon 529 line has also experienced a material increase in the revised 2019-21 Ending Balance due primarily to negotiated rates with one of the plan providers for the College Savings program, improving revenue growth trends in the program that are expected to continue through the biennium.

Appendix

Supervisory Span of Control Report:



PROPOSED SUPERVISORY SPAN OF CONTROL REPORT

In accordance with the requirements of ORS 291.227, Oregon State Treasury presents this report to the Joint Ways and Means Committee regarding the agency's Proposed Maximum Supervisory Ratio for the 2021-2023 biennium.

Supervisory Ratio for the last quarter of 2019-2021 biennium

The agency actual supervisory ratio as of July 1, 2020 is 1:3.

The Agency actual supervisory ratio is calculated using the following calculation:

$$\frac{\text{Total supervisors}}{\text{Employee in a supervisory role} + \text{Vacancies that if filled would perform a supervisory role} - \text{Agency head}} = \frac{\text{Total non-supervisors}}{\text{Employee in a non-supervisory role} + \text{Vacancies that if filled would perform a non-supervisory role}}$$

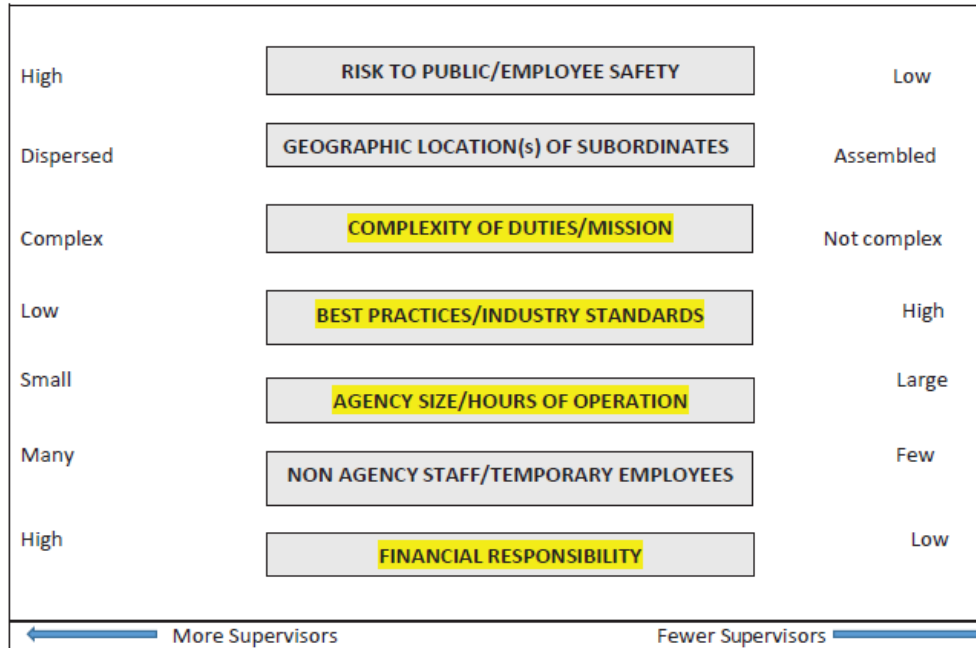
The agency has a current actual supervisory ratio of-

1: $\frac{\text{Actual span of control}}{\text{Total non - Supervisors}} = \frac{\text{Total non - Supervisors}}{\text{Total Supervisors}}$

When determining an agency maximum supervisory ratio all agencies shall begin of a baseline supervisory ratio of 1:11, and based upon some or all of the following factors may adjust the ratio up or down to fit the needs of the agency.

Appendix

Supervisory Span of Control Report:



Ratio Adjustment Factors

Is safety of the public or of State employees a factor to be considered in determining the agency maximum supervisory ratio? No

Is geographical location of the agency's employees a factor to be considered in determining the agency maximum supervisory ratio? No

Appendix

Supervisory Span of Control Report:

Explain how and why this factor impacts the agency maximum supervisory ratio upwards or downward from 1:11

Treasury is responsible for several programs that manage billions of dollars of assets or transactions that require specialized expertise, intense collaboration, and close managerial involvement. Additionally, given Treasurer's significant IT requirements, including maintenance, program development, and security, ratios below 1 to 11 are both unavoidable and necessary as explained below.

OST's investment division manages more than \$100 billion. Those management responsibilities are spread across multiple asset classes, all of which require sector specific expertise. Additionally, the back office functions – including compliance, accounting, technological, and legal – that support the successful asset class strategies require best practices that do not allow for a 1 to 11 ratio.

Nearly all of the state's banking transactions are handled by the Treasury's finance division. To efficiently meet its responsibilities, this division is separated in multiple teams, leveraging specialties and experience to deliver service to state government.

The Debt Management team at OST is similar in respect to the expertise required to serve the state's vast array of bonding activity and debt management. The team is small but requires multiple levels of oversight and coordination, not only within OST but throughout state government, which mandates a smaller ratio than 1 to 11.

The Oregon Savings Network similarly manages three programs with more than \$2 billion of combined assets. Those programs include public outreach, asset management, and information technology requirements that are not supportable or efficient at a 1 to 11 ratio.

OST's Information Technology resources shoulder responsibilities that are more similar to a major financial institution versus a state agency. IT Security, application development, and support functions are efficiently handled via disbursing the work into specialized teams rather than generalists – again, requiring different ratios than 1 to 11.

Finally, in all cases, close managerial oversight of employees who have routine access to propriety data is an important security facet of OST.

Are there industry best practices and standards that should be a factor when determining the agency maximum supervisory ratio? Yes

Explain how and why this factor impacts the agency maximum supervisory ratio upwards or downward from 1:11

Treasury's primary metric for determining appropriate staffing levels is cost effective delivery of services to maximize returns or minimize cost to beneficiaries, state agencies, program participants, or other partners. Management expertise is a key factor toward achieving that objective.



Appendix

Supervisory Span of Control Report:

Explain how and why this factor impacts the agency maximum supervisory ratio upwards or downward from 1:11

Based on the work performed in our Investment Division, we have staff schedules aligned with the stock market. The Finance department banking staff schedules align with banking holiday schedules.

Explain how and why this factor impacts the agency maximum supervisory ratio upwards or downward from 1:11

The Investment Program manages over a \$100 billion portfolio made up of the Oregon Public Employees Retirement Fund (OPERF), the State Accident Insurance Fund, the Oregon Short Term Fund, the Oregon Local Government Intermediate Fund, the Common School Fund, and several state agency fixed income funds. This portfolio is designed to generate investment returns which help fund many important State objectives including retirement security for public sector employees, academic support for Oregon schoolchildren, and compensation claims for injured state workers.

The Oregon Savings Network includes 529 College Savings Plans, which are fully self-supporting through revenue received from the program's administrative fees, with more than \$3.62 billion in assets for nearly 200,000 beneficiaries. It also includes the Oregon ABLE Savings Plan, which provides tax-advantaged savings accounts for individuals and their families to save for qualified disability expenses without losing their federal and state benefits; the plan has more than \$14.21 million in assets and 2,469 total accounts.

Treasury acts as the bank for all state agencies and participating public universities providing depository, check redemption, and electronic payment services (including foreign and domestic wire, ACH, and a variety of other services). In 2018, the division processed more than \$265 billion of financial transactions. Additionally, Treasury works with agencies, vendors, and appropriate legal representatives to protect public funds by helping to ensure compliance with regulatory and industry requirements, as well as Oregon public funds laws.

Treasury's Debt Management Program coordinates the sale and issuance of all state revenue and general obligation bonds, certificates of participation, and other financing agreements, including coordination of the sale of Tax Anticipation Notes. The Debt Management Program also issues bonds for Oregon Business Development Commission projects, Oregon Facilities Authority projects, and revenue bonds for state universities.

Are there unique personnel needs of the agency, including the agency's use of volunteers or seasonal or temporary employees, or exercise of supervisory authority by agency supervisory employees over personnel who are not agency employees a factor to be considered in determining the agency maximum supervisory ratio? **No**

Is the financial scope and responsibility of the agency a factor to be considered in determining the agency maximum supervisory ratio? **Yes**

Based upon the described factors above the agency proposes a Maximum Supervisory Ratio of **1:5**.

Appendix

Supervisory Span of Control Report:

Unions Requiring Notification Yes

Date unions notified _____

Submitted by: _____

Date: _____

Signature Line _____

Date _____

Signature Line _____

Date _____

Signature Line _____

Date _____

Signature Line _____

Date _____



Appendix

Links to Key External Materials:

- [Full Governors Budget Binder](#)
- [Most recent Annual Performance Progress Report \(APPR\) for Treasury KPMs \(Calendar Year 2020\)](#)