

Treasurer of State

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- The Treasurer of State collects, invests, and protects state funds
- The Treasurer of State uses GRF money, fees, interest earnings, and other funds

OVERVIEW

Duties and Responsibilities

The Treasurer of State collects, invests, and protects state funds. The Treasurer's Office functions as a custodian of the public's money, manager of the state's investment portfolio, and collector of taxes and fees. The Treasurer of State is a constitutional officer elected to a four-year term. The Treasurer of State also serves as chairman of the State Board of Deposits and member of the Commissioners of the Sinking Fund. Currently, the Treasurer of State employs approximately 145 full-time equivalent employees and six interns. The major responsibilities of the Treasurer of State can be summarized in the following areas.

Collections and Banking Services

The Treasurer of State manages banking services for all state agencies, clearing and reconciling transactions, and collects various state taxes, court fees, and fines on behalf of certain state entities. Annually, the Treasurer of State collects over \$17.4 billion of various state taxes, court fees, and fines. Currently, most of these collections are paid electronically through electronic funds transfer (EFT). The Treasurer's Office also handles automated clearinghouse (ACH) and credit card transactions on behalf of state entities.

Investment Services

The Treasurer of State manages and invests over \$13.2 billion in total assets¹⁴ of the three state's investment portfolios – Regular Account, Ohio Lottery Deferred Prizes Trust Fund, and STAR Ohio. The types of financial instruments that the State Treasurer may invest in are statutorily defined in the Ohio Revised Code.

The Regular Account contains money from the General Revenue Fund and other moneys held on behalf of various state agencies.

The Ohio Subdivision's Fund, commonly referred to as STAR Ohio, is a Standard and Poor's AAA rated investment alternative created for eligible governmental subdivisions as defined in section 135.45 (E)(2) of the Ohio Revised Code. The investment pool is managed by the Treasurer's investment staff. It is similar in concept to money market mutual funds. This alternative investment pool allows its participants to invest in an affordable, convenient, and diversified pool of high quality short-term assets. On February 28, 2007, the fund had a total of over \$5.1 billion in assets with a monthly average yield of 5.16%. In February 2007, over 1,600 local subdivisions, statewide, participated in the fund with 3,166

¹⁴ Market value as of February 28, 2007 ~ Regular Account, \$7.4 billion; Ohio Lottery DPTF, \$0.72 billion; and STAR Ohio, \$5.1 billion.

accounts¹⁵ (school districts have the highest number of accounts, 1,027 or 37% of the total, while the remaining accounts belong to state custodial funds, cities, counties, townships, villages, libraries, and some public hospitals). Currently, the portfolio is invested in U.S. government obligations, U.S. government agency securities, fully collateralized certificates of deposit, repurchase agreements, eligible bankers' acceptances, and commercial paper. While the fund is not insured, it is backed by the underlying securities of the portfolio.

The Treasurer also manages the Bid Ohio program, which competitively auctions off about \$50 million of interim money on a monthly basis. The program allows the state to receive higher yields and competitive six-month Certificate of Deposit (CD) rates from participating Ohio public depositories. The program allows the Treasurer to reinvest public funds in more communities and keeps Ohio's investment dollars in Ohio.

The Treasurer also manages the Securities Lending program, which generates income by loaning securities on a short-term basis to selected brokerage firms and financial institutions for a fee.

Custodian of Funds

The Treasurer serves as custodian of both moneys in the state treasury and certain moneys that are held, by law, in the custody of the Treasurer outside the state treasury. The Treasurer also safeguards the funds of the state's five public pension systems.

Other Duties

The Treasurer issues debt for parks and recreation, mental health and mental retardation, Clean Ohio Revitalization projects, and cultural and sports facilities buildings.

The Treasurer administers the Small Business Linked Deposit Program that helps small Ohio businesses create or retain jobs in Ohio. This program provides about \$100 million annually in reduced rate loans. The Treasurer's Office also administers the Agricultural Linked Deposit program (Agri-Link), which provides \$125 million annually in reduced rate loans to Ohio's farmers and small agricultural businesses. In addition, the Treasurer's Office also administers the Access for Individuals linked deposit program.

As required by the Ohio Revised Code, the Treasurer administers a continuing education training program for all public funds managers with investing authority through the Center for Public Investment Management (CPIM). This program ensures that local tax dollars are invested wisely and safely.

The Treasurer's Office also provides the Women & Money program to improve the financial literacy of women in Ohio. This program offers finance, budgeting, and investment workshops throughout the state.

¹⁵ Participants may have more than one account in STAR Ohio at a particular time.

Summary of FYs 2008 - 2009 Budget Issues

Am. Sub. H.B. 119 moves three custodial funds – the Attorney General Education Fund, the Secretary of State Alternative Payment Program Fund, and the Ohio’s Best Rx Program Fund – into the state treasury. The enacted bill allows the Director of Budget and Management, in collaboration with the Treasurer of State, to take any necessary action to establish these funds in the state treasury, including, but not limited to, the transfer of cash from the custodial funds to the state treasury and the establishment of appropriations and encumbrances to support outstanding obligations. However, any requests for additional appropriation authority in regard to those funds are subject to Controlling Board approval.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2008	2009	2008	2009	
145	\$66.6 million	\$66.6 million	\$31.4 million	\$31.3 million	Am. Sub. H. B. 119

*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2007.

Appropriations

The appropriations provide the necessary funding to maintain the Treasurer of State’s operations at current levels and to work toward the goal of protecting state funds, administering state and local government pool investments, and collecting state taxes. The appropriations also include subsidies for the Police and Fire Pension Fund and money to pay tax refunds.

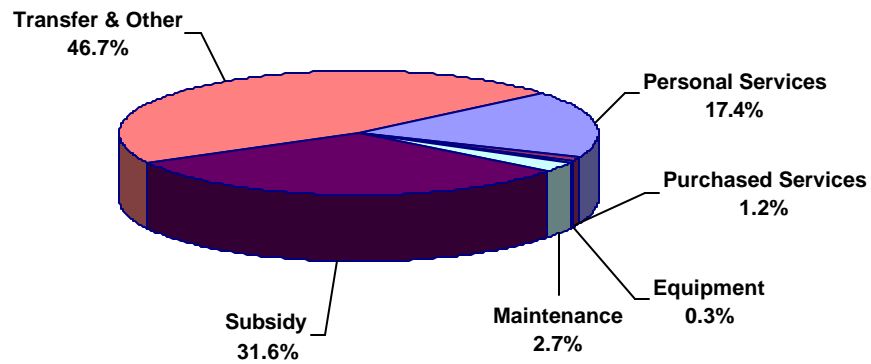
The budget’s total appropriations for FY 2008 are \$66,562,261. The amounts are \$193,978 higher than FY 2007, a 0.3% increase. Appropriations for FY 2009 are \$66,655,261. The amounts are \$93,000 higher than FY 2008, a 0.1% increase.

The GRF appropriations for FY 2008 are \$31,363,261. The amounts are \$193,978 higher than FY 2007 adjusted appropriations, an increase of 0.6%. The GRF appropriations for FY 2009 are \$31,306,261. That amount is \$57,000 lower than FY 2008, a 0.2% decrease. Of the total GRF appropriations, \$10,299,261 is appropriated for operating expenses in FY 2008. That amount is \$299,978, or 3%, higher than FY 2007 adjusted appropriations. The GRF operating line items’ appropriations for FY 2009 are the same as FY 2008. The remaining GRF appropriations of \$21,170,000 for FY 2008 are for subsidies to the Police and Fire Pension Fund. That amount is \$106,000, or 0.5%, lower than FY 2007 estimated subsidies.

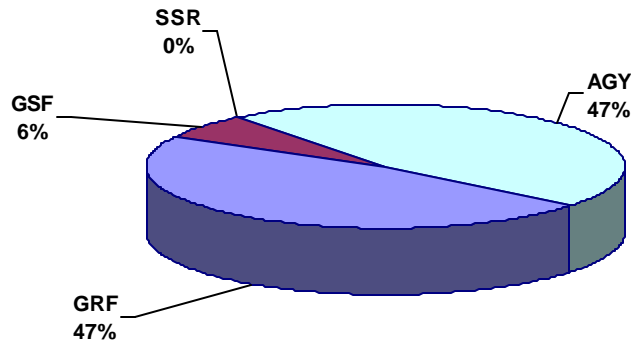
The appropriated amounts also increase the Treasurer of State's appropriation from Securities Lending income in FY 2008 and FY 2009. The appropriations are needed to provide sufficient resources to cover operating expenses.

The following charts present the appropriations by object code and by fund group.

Total Appropriations by Object Code



Total Appropriations by Fund Group



ANALYSIS OF THE BUDGET

Program Series

1: Investment of Assets

Purpose: This program series provides funding for Treasurer operations. The Treasurer of State collects, invests, and protects state funds. The Treasurer's Office functions as a custodian of the public's money, manager of the state's investment portfolio, and collector of taxes and fees.

The following table shows the line items that are used to fund Program Management.

Fund	ALI	Title	FY 2008	FY 2009
General Revenue Fund				
GRF	090-321	Operating Expenses	\$9,313,195	\$9,313,195
General Revenue Fund Subtotal			\$9,313,195	\$9,313,195
General Services Fund				
GSF	090-603	Securities Lending Income	\$3,164,000	\$3,314,000
GSF	090-605	Investment Pool Reimbursement	\$550,000	\$550,000
GSF	090-609	Treasurer of State Administrative Fund	\$350,000	\$350,000
General Services Fund Subtotal			\$4,064,000	\$4,214,000
Total Funding: Program Management			\$13,377,195	\$13,527,195

This analysis focuses on the following specific programs within the Program Management program series:

- **Program 1.1: Treasury Management**
- **Program 1.2: Custodial Funds**
- **Program 1.3: STAR Ohio Investment and Management**

Program 1.1: Treasury Management

Program Description: This program provides funds for payroll, fringe benefits, maintenance, and equipment for the Treasurer of State.

Funding Source: GRF

Implication of the Budget: The appropriation for FY 2008 is \$9,313,195. This amount is a \$271,258, or a 3% increase from the adjusted appropriation for FY 2007. The appropriation for FY 2009 is the same as the appropriation for FY 2008.

Program 1.2: Custodial Funds

Program Description: This line item pays for custodial services provided by the Treasurer's Office. These services include safekeeping, disbursing, and administering custodial moneys and assets such as the retirement systems funds and various other agency funds.

This program also administers the Securities Lending program. It loans securities on a short-term basis to selected brokerage firms and financial institutions.

Funding Source: GSF – fees charged to the entities receiving custodial services

Implication of the Budget: The appropriation for FY 2008 of \$3,514,000 is same as the adjusted appropriation for FY 2007. The appropriation for FY 2009 is \$3,664,000, or 4.3%, higher than the appropriation for FY 2008. The total appropriation for FYs 2008 - 2009 is \$7.2 million. Spending for FYs 2006 - 2007 is estimated at \$6.2 million.

Program 1.3: STAR Ohio Investment and Management

Program Description: The Ohio Subdivision's Fund is commonly referred to as STAR Ohio. It is an AAA rated investment alternative created for eligible governmental subdivisions as defined in section 135.45 of the Revised Code. The investment pool is managed by a full-time investment staff with the Treasurer of State and is similar in concept to a money market mutual fund. STAR Ohio affords the participants a convenient tool for investing in a diversified pool of high quality short-term assets. Most of the portfolio is invested in U.S. government obligations and U.S. government agency securities. The remainder of the portfolio is invested in fully collateralized certificates of deposit, repurchase agreements, eligible bankers' acceptances, and commercial paper. While the fund is not insured, it is backed by the underlying securities of the portfolio.

Funding Source: GSF – investment pool administration fee paid by local governments who participate in the program

Implication of the Budget: The appropriation for FY 2008 is unchanged from estimated spending for FY 2007. The appropriation for FY 2009 is the same as the appropriation for FY 2008.

Program Series**2: Sinking Fund Management**

Purpose: The role of the Commissioners of the Sinking Fund is to issue and pay the debt service on certain general obligation bonds that are authorized by the state constitution and the legislature for specific purposes.

The following table shows the line item used to fund Sinking Fund Management.

Fund	ALI	Title	FY 2008	FY 2009
General Revenue Fund				
GRF	090-401	Office of the Sinking Fund	\$537,223	\$537,223
General Revenue Fund Subtotal			\$537,223	\$537,223
Total Funding: Sinking Fund Management			\$537,223	\$537,223

This analysis focuses on the following specific program within the program series:

■ **Program 2.1: Sinking Fund Management**

Program 2.1: Sinking Fund Management

Program Description: This line item covers costs incurred by order of or on behalf of the Commissioners of the Sinking Fund relative to the issuance and sale of bonds or other obligations. The GRF is reimbursed from the affected issuance's bond retirement fund.

Funding Source: GRF

Implication of the Budget: The appropriation for FY 2008 is \$15,647, or 3%, higher than estimated spending for FY 2007. The appropriation for FY 2009 is the same as the appropriation for FY 2008.

Program Series**3: Refunds and Subsidies Oversight**

Purpose: This program series provides funding for certain tax refunds, permissive tax distributions, and subsidies to Ohio Police and Fire Pension Fund.

The following table shows the line items that are used to fund the Refunds and Subsidies Oversight.

Fund	ALI	Title	FY 2008	FY 2009
General Revenue Fund				
GRF	090-524	Police & Fire Disability Pension Fund	\$14,000	\$12,000
GRF	090-534	Police and Fire Ad Hoc Cost of Living	\$140,000	\$130,000
GRF	090-554	Police and Fire Survivor Benefits	\$910,000	\$865,000
GRF	090-575	Police and Fire Death Benefits	\$20,000,000	\$20,000,000
General Revenue Fund Subtotal			\$21,064,000	\$21,007,000
Agency Fund				
AGY	090-635	Tax Refunds	\$31,000,000	\$31,000,000
General Services Fund Subtotal			\$31,000,000	\$31,000,000
Total Funding: Refunds and Subsidies Oversight			\$52,064,000	\$52,007,000

This analysis focuses on the following specific programs within the Refunds and Subsidies Oversight program series:

- **Program 3.1: Police and Fire Subsidies**
- **Program 3.2: Tax Refunds**

Program 3.1: Police and Fire Subsidies

Program Description: These subsidies provide supplemental moneys to specified members of Ohio's retirement systems and to surviving spouses and children of law enforcement officers, firefighters, and corrections officers who die in the line of duty or who die from injuries sustained in the line of duty.

Funding Source: GRF

Implication of the Budget: The appropriations for FY 2008 are \$106,000, or 0.5%, below estimated subsidies for FY 2007. The appropriations subsidies for FY 2009 are \$57,000, or 0.3%, lower than for FY 2008. Funding for subsidies decreases each year for certain accounts, as the number of members covered by the particular benefit declines. These subsidies provide benefits to the surviving spouses and children of law enforcement officers, firefighters, and corrections officers who die in the line of duty or who die from injuries sustained in the line of duty.

Program 3.2: Tax Refunds

Program Description: Moneys from this line item are used to pay refunds to Ohio taxpayers and to pay permissive tax distributions that are not refunds. Taxes included are county permissive sales and use, transit authority permissive sales and use, cigarette excise tax (Cuyahoga County), alcoholic beverage tax (Cuyahoga County), and liquor gallonage tax (Cuyahoga County).

Funding Source: AGY

Implication of the Budget: The appropriation for FY 2008 is the same as the estimated FY 2007 spending, and the appropriation for FY 2009 is unchanged from that of FY 2008.

Program Series

4: County Treasurer Education

Purpose: The Treasurer administers a continuing education training program for all public funds managers with investing authority through the Center for Public Investment Management (CPIM). This program ensures that local tax dollars are invested wisely and safely.

The following table shows the line items that are used to fund County Treasurer Education.

Fund	ALI	Title	FY 2004	FY 2005
General Revenue Fund				
GRF	090-402	Continuing Education	\$448,843	\$448,843
General Revenue Fund Subtotal			\$448,843	\$448,843
State Special Revenue Fund				
SSR	090-602	County Treasurer Education	\$135,000	\$135,000
State Special Revenue Fund Subtotal			\$135,000	\$135,000
Total Funding: County Treasurer Education			\$583,843	\$583,843

This analysis focuses on the following specific program within the program series:

■ Program 4.1: Continuing Education

Program 4.1: Continuing Education

Program Description: This line item provides funding for the Center for Public Investment Management (CPIM). It provides education programs for Ohio's public fund managers who have investment authority.

Funding Source: GRF and SSR

Implication of the Budget: The appropriation for FY 2008 is \$13,073, or 2.3%, higher than the adjusted appropriation for FY 2007. The appropriation for FY 2009 is the same as FY 2008.

FY 2008 - 2009 Final Appropriation Amounts

All Fund Group

Line Item Detail by Agency

FY 2005: **FY 2007 Adj.** **FY 2008** **% Change** **FY 2009** **% Change**
FY 2006: Appropriations: **Appropriations:** **2007 to 2008:** **Appropriations:** **2008 to 2009:**

Report For: Main Operating Appropriations Bill

Version: Enacted

TOS Treasurer of State

GRF	090-321	Operating Expenses	\$ 8,845,881	\$ 9,292,805	\$ 9,041,937	\$ 9,313,195	3.00%	\$ 9,313,195	0.00%
GRF	090-401	Office of the Sinking Fund	\$ 375,143	\$ 412,902	\$ 521,576	\$ 537,223	3.00%	\$ 537,223	0.00%
GRF	090-402	Continuing Education	\$ 438,569	\$ 387,029	\$ 435,770	\$ 448,843	3.00%	\$ 448,843	0.00%
GRF	090-524	Police and Fire Disability Pension Fund	\$ 23,250	\$ 18,568	\$ 20,000	\$ 14,000	-30.00%	\$ 12,000	-14.29%
GRF	090-534	Police & Fire Ad Hoc Cost of Living	\$ 176,971	\$ 156,671	\$ 150,000	\$ 140,000	-6.67%	\$ 130,000	-7.14%
GRF	090-544	Police and Fire State Contribution	\$ 1,200,000	---	\$ 0	---	N/A	---	N/A
GRF	090-554	Police and Fire Survivor Benefits	\$ 1,101,250	\$ 1,010,750	\$ 1,000,000	\$ 910,000	-9.00%	\$ 865,000	-4.95%
GRF	090-575	Police and Fire Death Benefits	\$ 25,000,000	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	0.00%	\$ 20,000,000	0.00%
General Revenue Fund Total			\$ 37,161,064	\$ 31,278,726	\$ 31,169,283	\$ 31,363,261	0.62%	\$ 31,306,261	-0.18%
4E9	090-603	Securities Lending Income	\$ 1,786,369	\$ 2,129,309	\$ 2,814,000	\$ 3,164,000	12.44%	\$ 3,314,000	4.74%
577	090-605	Investment Pool Reimbursement	\$ 153,104	\$ 428,647	\$ 550,000	\$ 550,000	0.00%	\$ 550,000	0.00%
605	090-609	Treasurer of State Administrative Fund	\$ 544,796	\$ 538,681	\$ 700,000	\$ 350,000	-50.00%	\$ 350,000	0.00%
General Services Fund Group Total			\$ 2,484,270	\$ 3,096,637	\$ 4,064,000	\$ 4,064,000	0.00%	\$ 4,214,000	3.69%
5C5	090-602	County Treasurer Education	\$ 148,161	\$ 114,141	\$ 135,000	\$ 135,000	0.00%	\$ 135,000	0.00%
State Special Revenue Fund Group Total			\$ 148,161	\$ 114,141	\$ 135,000	\$ 135,000	0.00%	\$ 135,000	0.00%
425	090-635	Tax Refunds	\$ 20,524,563	\$ 4,768,872	\$ 31,000,000	\$ 31,000,000	0.00%	\$ 31,000,000	0.00%
Agency Fund Group Total			\$ 20,524,563	\$ 4,768,872	\$ 31,000,000	\$ 31,000,000	0.00%	\$ 31,000,000	0.00%
Treasurer of State Total			\$ 60,318,059	\$ 39,258,376	\$ 66,368,283	\$ 66,562,261	0.29%	\$ 66,655,261	0.14%