

LSC Greenbook

Analysis of the Enacted Budget

Treasurer of State

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August 2009

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ATTACHMENT:

Budget Spreadsheet By Line Item

Treasurer of State

- The Treasurer's budget includes funding for the Sinking Fund's operations, subsidies, and tax refunds.
- Over one-third of the Treasurer's operations are funded from non-GRF sources.

OVERVIEW

Agency Overview

The Office of the Treasurer of State (TOS), which was established over 200 years ago, is responsible for collecting, investing, and protecting state funds. The Treasurer is a constitutional officer elected to a four-year term. The Treasurer also serves as chairman of the State Board of Deposit (BDP), a member of the Commissioners of the Sinking Fund (CSF), a member of the Petroleum Underground Storage Tank Release Compensation Board (UST), and a member of other boards, commissions, and authorities. Currently, the Office of the Treasurer of State employs approximately 130 full-time equivalent employees (FTEs).¹

The Treasurer's Office 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. The Office collects over \$16 billion in revenues annually from various state taxes, court fees, and fines. It administers and invests over \$8 billion in the state's investment portfolios.² The types of financial instruments that the Treasurer's Office may invest in are statutorily defined in the Ohio Revised Code. The regular account contains money from the General Revenue Fund (GRF) and other moneys held on behalf of various state agencies.

The Treasurer's Office serves as custodian of over \$140.0 billion of moneys in the state treasury and certain moneys that are held, by law, in the custody of the Treasurer's Office outside the state treasury. The Treasurer's Office safeguards the funds of the state's five public pension systems. Additionally, the Treasurer is authorized to issue various bonds for certain purposes.

¹ Number of employees as of July 2009.

² Market value as of May 30, 2009 – Regular Account, \$7.9 billion; Ohio Lottery DPTF, \$0.8 billion; STAR Ohio, \$6.8 billion; Buckeye Tobacco (School Facilities), \$3.8 billion; and Buckeye Tobacco (Board of Regents), \$0.8 billion.

The following table presents the number of filled positions for the Office of the Treasurer of State since 2007. Figures for FY 2010 and FY 2011 are estimates. The Treasurer plans to fill vacancies in the staff of the Office during this biennium.

Table 1. Treasurer of State Staffing Levels					
	FY 2007	FY 2008	FY 2009	FY 2010 est.	FY 2011 est.
Treasurer of State	146	138	117	133	133
Office of the Sinking Fund	4	5	5	5	5
TOTAL	150	143	122	138	138

Appropriation Overview

The following table presents the appropriations by fund group for the Office of the Treasurer of State for the FY 2010-FY 2011 biennium.

Table 2. Agency Appropriations by Fund Group, FY 2010-FY 2011					
Fund Group	FY 2009*	FY 2010	% change, FY 2009-FY 2010	FY 2011	% change, FY 2010-FY 2011
General Revenue	\$30,179,896	\$30,046,057	-0.4%	\$30,000,557	-0.2%
General Services	\$3,565,659	\$5,085,000	42.6%	\$5,085,000	0.0%
Agency Fund	\$5,555,359	\$31,000,000	458.0%	\$31,000,000	0.0%
TOTAL	\$39,300,914	\$66,131,057	68.3%	\$66,085,557	-0.1%

*FY 2009 figures represent actual expenditures.

Total appropriations for FY 2010 are \$66.1 million. This amount is \$26.8 million, or 68.3%, higher than total FY 2009 actual expenditures. The appropriations for FY 2011 also total \$66.1 million, though they are \$45,500, or 0.1%, lower than the appropriations for FY 2010. Approximately 22% of the total appropriations are for the Treasurer's Office's operations, or those of the Office of the Sinking Fund. Funding for these appropriations comes from the GRF, investment income, and fees and charges assessed on services provided by the Treasurer's Office. The remaining appropriations include moneys for tax refunds for certain taxes and subsidies for various purposes.

Total GRF appropriations for FY 2010 are \$30.0 million. This amount is \$0.1 million, or 0.4%, lower than FY 2009 actual expenditures. GRF appropriations for FY 2011 are also \$30.0 million, but they are \$45,500, or 0.2%, lower than FY 2010. Of the total GRF appropriations, \$9.2 million in FY 2010 is for operating expenses for the Treasurer's Office and the Office of the Sinking Fund. This amount is about \$100,000, or 1.1%, lower than FY 2009 actual expenditures, but \$1.2 million, or 11.8%, lower than actual expenditures in FY 2008. Appropriations for these operating line items for

FY 2011 are the same as for FY 2010. The remaining GRF appropriations (\$20.8 million) for FY 2010 are for subsidies that are administered by the Board of Police and Fire Pension Fund. Total appropriations for such subsidies are about \$33,000, or 0.2%, lower than FY 2009 actual expenditures.

The budget also provides the Treasurer's Office with non-GRF funding of \$5.1 million for operating expenses in FY 2010. This amount is about \$1.5 million, or 42.6%, higher than FY 2009 actual expenditures, and \$688,000, or 15.7%, higher than actual expenditures in FY 2008. This non-GRF funding comes from investment income, and fees and charges assessed on services provided by the Treasurer.

Major Initiatives

Deferred Compensation Program

The budget specifies that the Treasurer of State is the custodian of contributions into the deferred compensation program for state employees. It also specifies that the contribution accounts are not part of the state treasury.

PERS Retirement Incentive Plans

The budget makes changes to a requirement in existing law that if a state institution or state employing unit proposes to close or lay off within a six month period the lesser of 50 or 10% of its employees, it must establish a retirement incentive plan. If a proposal to close or lay off occurs after the effective date of H.B. 1, the thresholds that would trigger the requirement are raised (from 50 employees or 10% of the workforce) to 350 employees or 40% of the workforce. The budget also exempts a state employing unit with 50 or fewer employees from the requirement if the event occurs after the effective date.

State Highway Patrol Retirement System Contribution Rates

The budget modifies the employer contribution rate under the State Highway Patrol Retirement System (SHPRS) to 26.5% of members' salaries, instead of existing law's requirement that the employer contribution be a "certain percentage" of members' salaries. The budget also requires the Ohio Retirement Study Council (ORSC) to annually review the adequacy of SHPRS employee and employer contribution rates and the contribution rates recommended in a report prepared by the SHPRS actuary for the coming year, and to make recommendations to the General Assembly that it finds necessary for the proper financing of SHPRS.

ANALYSIS OF ENACTED BUDGET

Introduction

This section provides an analysis of the appropriations for each line item in TOS's budget. In this analysis, TOS's line items are grouped into four major categories. For each category, a table is provided listing the appropriation in each fiscal year of the biennium. Following the table, a narrative describes how the appropriation is used and any changes affecting the appropriation. If the appropriation is earmarked, the earmarks are listed and described. The four categories used in this analysis are as follows:

1. Treasurer's Office Operations;
2. Office of the Sinking Fund;
3. Police and Fire Subsidies; and
4. Tax Refunds.

To aid the reader in finding each item in the analysis, the following table shows the category in which each appropriation has been placed, listing the line items in order within their respective fund groups and funds. This is the same order the line items appear in the budget bill.

Categorization of TOS's Appropriation Line Items for Analysis of the Enacted Budget		
Fund	ALI and Name	Category
General Revenue Fund Group		
GRF 090321	Operating Expenses	1: Treasurer's Office Operations
GRF 090401	Office of the Sinking Fund	2: Office of the Sinking Fund
GRF 090402	Continuing Education	1: Treasurer's Office Operations
GRF 090524	Police and Fire Disability Pension Fund	3: Police and Fire Subsidies
GRF 090534	Police & Fire Ad Hoc Cost of Living	3: Police and Fire Subsidies
GRF 090554	Police and Fire Survivor Benefits	3: Police and Fire Subsidies
GRF 090575	Police and Fire Death Benefits	3: Police and Fire Subsidies
General Services Fund Group		
4E90 090603	Securities Lending Income	1: Treasurer's Office Operations
5770 090605	Investment Pool Reimbursement	1: Treasurer's Office Operations
5C50 090602	County Treasurer Education	1: Treasurer's Office Operations
6050 090609	Treasurer of State Administrative Fund	1: Treasurer's Office Operations
Agency Fund Group		
4250 090635	Tax Refunds	4: Tax Refunds

Category 1: Treasurer's Office Operations (090321, 090402, 090602, 090603, 090605, and 090609)

This category of line items provides funding for operations of the Treasurer's Office. The appropriations provide the funding necessary to maintain the Treasurer's Office operations at current levels.

Appropriations for Treasurer of State Operations				
Fund	ALI and Name		FY 2010	FY 2011
General Revenue Fund				
GRF	090321	Operating Expenses	\$8,281,875	\$8,281,875
GRF	090402	Continuing Education	\$403,959	\$403,959
General Revenue Fund Subtotal			\$8,685,834	\$8,685,834
General Services Fund Group				
4E90	090603	Securities Lending Income	\$4,200,000	\$4,200,000
5770	090605	Investment Pool Reimbursement	\$550,000	\$550,000
5C50	090602	County Treasurer Education	\$150,000	\$150,000
6050	090609	Treasurer of State Administrative Fund	\$185,000	\$185,000
General Services Fund Group Subtotal			\$5,085,000	\$5,085,000
Total Funding: Treasurer of State Operations			\$13,770,834	\$13,770,834

Operating Expenses (090321)

This GRF line item supports activities of the Treasurer's Office and provides funding for payroll, fringe benefits, maintenance, and equipment.

The appropriation is \$8.3 million in both FY 2010 and FY 2011. This amount is 1.6% lower than the actual expenditures for FY 2009, but \$1.2 million, or 12.4%, lower than actual expenditures in FY 2008.

Continuing Education (090402)

This GRF line item provides funding for costs associated with registration and enrollment for classes that are organized by the Center for Public Investment Management (CPIM) within the Treasurer's Office. The Center organizes financial education conferences and maintains continuing education requirements for all public funds managers with investing authority throughout the state, as required by the Ohio Revised Code.

The appropriation is \$403,959 in both FY 2010 and FY 2011. This amount is over \$14,000, or 3.7%, higher than the actual expenditures for FY 2009, but over \$77,500, or 16.1%, lower than actual expenditures in FY 2008.

County Treasurer Education (090602)

This line item provides funding for CPIM. As required by the Ohio Revised Code, the Treasurer's Office administers a continuing education training program for all public funds managers with investing authority through the Center. This continuing education program ensures that local tax dollars are invested wisely and safely. Funding for the appropriation comes from fees imposed by the Treasurer for these training programs.

The appropriation is \$150,000 for FY 2010 and the same amount in FY 2011. This amount is over \$53,500, or 55.5%, higher than the actual expenditures for FY 2009, but 28.3% higher than expenditures in FY 2008.

Securities Lending Income (090603)

This line item provides funding for the administration of the Securities Lending Program. It loans securities on a short-term basis to selected brokerage firms and financial institutions. Funding for the appropriation comes from earnings generated by the program.

The appropriation of \$4.2 million in each fiscal year is approximately \$1.4 million, or 48.0%, higher than the actual expenditures in FY 2009. The budget increases the appropriation in FY 2010 to provide sufficient resources to cover operating expenses.

Investment Pool Reimbursement (090605)

This line item pays for administrative services provided by the Treasurer's Office related to the Ohio Subdivision's Fund, which is commonly referred to as STAR Ohio. STAR Ohio is an AAA-rated investment alternative created for eligible governmental subdivisions as defined in section 135.45 of the Revised Code, and is similar in concept to a money market mutual fund. The investment program is co-managed by investment staff of the Treasurer's Office and a private fund manager.

STAR Ohio affords the participants a convenient tool for investing in an affordable and 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.

The budget appropriates \$550,000 for FY 2010 and the same amount in FY 2011. This amount is \$237,000, or 75.6%, higher than the actual expenditures for FY 2009, but 21.3% higher than actual expenditures in FY 2008.

Treasurer of State Administrative Fund (090609)

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.

The budget appropriates \$185,000 for FY 2010 and the same amount in FY 2011. This amount is \$132,800, or 41.8%, lower than the actual expenditures for FY 2009, and 63.1% lower than actual expenditures in FY 2008. H. B. 1 decreases the Treasurer of State's appropriation from this line item in FY 2010 because the cost of processing transactions has fallen as more of them are paid electronically through electronic funds transfers.

Category 2: Office of the Sinking Fund (090401)

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.

Appropriations for Office of the Sinking Fund				
Fund		ALI and Name	FY 2010	FY 2011
General Revenue Fund				
GRF	090401	Office of the Sinking Fund	\$537,223	\$537,223
<i>General Revenue Fund Subtotal</i>			\$537,223	\$537,223
Total Funding: Office of the Sinking Fund			\$537,223	\$537,223

Office of the Sinking Fund (090401)

This GRF line item provides funding for payroll, fringe benefits, maintenance, and equipment for the Office of the Commissioners of the Sinking Fund's employees. In addition, the budget specifies that this line item must be used for funding for costs incurred by order of, or on behalf of, the Commissioners of the Sinking Fund, the Ohio Public Facilities Commission, or TOS with respect to the state general obligation bonds and funding for costs incurred by the Office of Debt Management with respect to the issuance and ongoing administration of Treasurer of State issued revenue and special obligation debt. The GRF will be reimbursed from the Highway Capital Improvement Bond Retirement Fund for financing costs incurred involving Highway Capital Improvement obligations.

The appropriation for FY 2010 is \$537,223. This amount is \$18,800, or 3.6%, higher than the actual expenditures in FY 2009; it is 2.3% higher than FY 2008 actual expenditures. The appropriation for FY 2011 is the same as the appropriation for FY 2010.

Category 3: Police and Fire Subsidies (090524, 090534, 090554, and 090575)

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.

The appropriations for subsidies total \$20.8 million each for FY 2010 and FY 2011, \$33,400 or 0.2%, below actual subsidies for FY 2009. The total appropriation amount for FY 2010 is \$145,400, or 0.7%, lower than the actual subsidies in FY 2008. Funding for subsidies decreases each year for certain line items, as the number of members covered by the particular benefit declines.

Total subsidies for the biennium are about \$41.6 million. Total subsidy spending for FYs 2008-2009 was \$41.8 million. The appropriations for subsidies for FYs 2010-2011 are slightly lower than actual subsidies for FYs 2008-2009.

Appropriations for Police and Fire Subsidies				
Fund		ALI and Name	FY 2010	FY 2011
General Revenue Fund				
GRF	090524	Police and Fire Disability Pension Fund	\$8,000	\$7,500
GRF	090534	Police & Fire Ad Hoc Cost of Living	\$95,000	\$90,000
GRF	090554	Police and Fire Survivor Benefits	\$720,000	\$680,000
GRF	090575	Police and Fire Death Benefits	\$20,000,000	\$20,000,000
General Revenue Fund Subtotal			\$20,823,000	\$20,777,500
Total Funding: Police and Fire Subsidies			\$20,823,000	\$20,777,500

Police and Fire Disability Pension Fund (090524)

This GRF line item subsidizes supplemental retirement benefits to members of the Police and Firemen's Disability and Pension Fund (PFDPF) system who were retired and eligible to receive pension benefits prior to July 1, 1968.

Police & Fire Ad Hoc Cost of Living (090534)

This GRF line item subsidizes a 5% benefit increase for retirees who had received benefits from the PFDPF system prior to July 1, 1974. The subsidies were originally created under Am. Sub. H.B. 204 of the 113th General Assembly for those retirees and their beneficiaries.

Police and Fire Survivor Benefits (090554)

This GRF line item subsidizes payments to all persons who first received survivors' benefits from the PFDPF prior to July 1, 1981. For survivors first receiving benefits after that date, the system will make such payments from its own resources.

Police and Fire Death Benefits (090575)

This GRF line item subsidizes 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. With the passage of Am. Sub. S.B. 267 in the 127th General Assembly, the benefits covered by this line item were expanded to drug agents and the Bureau of Criminal Identification and Investigation's (BCII) investigators and special agents.

Category 4: Refunds (090635)

This category provides moneys for certain tax refunds to Ohio taxpayers. The budget appropriates \$31.0 million each year for tax refunds for FY 2010 and FY 2011. This appropriation is \$25.4 million, or 458%, higher than the FY 2009 actual expenditures. The appropriation for FY 2010 is \$27.3 million, or 737.8%, higher than the actual tax refunds in FY 2008. The comparisons between the appropriation and prior fiscal years' actual expenditures for this line item are less meaningful than with most appropriation line items because the appropriation was kept at \$31.0 million per fiscal year under each budget since FY 2004 due to the uncertainty in total amount of tax refunds and permissive tax that will be distributed by the state in each year. Since FY 2004, the actual expenditures ranged from \$3.7 million to \$20.5 million per fiscal year.

Appropriations for Refunds				
Fund		ALI and Name	FY 2010	FY 2011
Agency Fund Group				
4250	090635	Tax Refunds	\$31,000,000	\$31,000,000
Agency Fund Group Subtotal			\$31,000,000	\$31,000,000
Total Funding: Refunds			\$31,000,000	\$31,000,000

Tax Refunds (090635)

This line item is 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 (Cuyahoga County), alcoholic beverage (Cuyahoga County), and liquor gallonage (Cuyahoga County).

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FY 2010 - 2011 Final Appropriation Amounts

All Fund Groups

Line Item Detail by Agency			FY 2008	FY 2009	FY 2010 Appropriations	% Change FY09 - FY10	FY 2011 Appropriations	% Change FY10 - FY11
Report For: Main Operating Appropriations Bill			Version: Enacted					
TOS Treasurer of State								
GRF	090321	Operating Expenses	\$ 9,449,508	\$ 8,415,373	\$ 8,281,875	-1.59%	\$ 8,281,875	0.00%
GRF	090401	Office of the Sinking Fund	\$ 525,250	\$ 518,394	\$ 537,223	3.63%	\$ 537,223	0.00%
GRF	090402	Continuing Education	\$ 481,507	\$ 389,716	\$ 403,959	3.65%	\$ 403,959	0.00%
GRF	090524	Police and Fire Disability Pension Fund	\$ 10,950	\$ 9,968	\$ 8,000	-19.74%	\$ 7,500	-6.25%
GRF	090534	Police & Fire Ad Hoc Cost of Living	\$ 121,133	\$ 107,515	\$ 95,000	-11.64%	\$ 90,000	-5.26%
GRF	090554	Police and Fire Survivor Benefits	\$ 836,290	\$ 738,930	\$ 720,000	-2.56%	\$ 680,000	-5.56%
GRF	090575	Police and Fire Death Benefits	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	0.00%	\$ 20,000,000	0.00%
General Revenue Fund Total			\$ 31,424,639	\$ 30,179,896	\$ 30,046,057	-0.44%	\$ 30,000,557	-0.15%
4E90	090603	Securities Lending Income	\$ 3,325,550	\$ 2,838,220	\$ 4,200,000	47.98%	\$ 4,200,000	0.00%
5770	090605	Investment Pool Reimbursement	\$ 453,512	\$ 313,123	\$ 550,000	75.65%	\$ 550,000	0.00%
5C50	090602	County Treasurer Education	\$ 116,884	\$ 96,476	\$ 150,000	55.48%	\$ 150,000	0.00%
6050	090609	Treasurer of State Administrative Fund	\$ 500,923	\$ 317,840	\$ 185,000	-41.79%	\$ 185,000	0.00%
General Services Fund Group Total			\$ 4,396,868	\$ 3,565,659	\$ 5,085,000	42.61%	\$ 5,085,000	0.00%
4250	090635	Tax Refunds	\$ 3,700,270	\$ 5,555,359	\$ 31,000,000	458.02%	\$ 31,000,000	0.00%
Agency Fund Group Total			\$ 3,700,270	\$ 5,555,359	\$ 31,000,000	458.02%	\$ 31,000,000	0.00%
Treasurer of State Total			\$ 39,521,777	\$ 39,300,914	\$ 66,131,057	68.27%	\$ 66,085,557	-0.07%