

# **LSC Greenbook**

**Analysis of the Enacted Budget**

**Treasurer of State**

Ruhaiza Ridzwan, Senior Economist  
Legislative Service Commission

August 2013

# TABLE OF CONTENTS

<b>OVERVIEW</b> .....	<b>1</b>
<b>Agency Overview</b> .....	<b>1</b>
<b>Appropriation Overview</b> .....	<b>1</b>
<b>Budget Issues</b> .....	<b>3</b>
Linked Deposit Programs .....	3
Annual Report Deadline .....	3
<b>Vetoed Provision</b> .....	<b>3</b>
Treasury Management System.....	3
<b>ANALYSIS OF ENACTED BUDGET</b> .....	<b>4</b>
<b>Introduction</b> .....	<b>4</b>
<b>Category 1: Treasurer's Office Operations (090321, 090603, 090605, and 090609)</b> .....	<b>5</b>
Operating Expenses (090321) .....	5
Securities Lending Income (090603) .....	5
Investment Pool Reimbursement (090605).....	5
Treasurer of State Administrative Fund (090609) .....	6
<b>Category 2: Office of the Sinking Fund (090401)</b> .....	<b>7</b>
Office of the Sinking Fund (090401) .....	7
<b>Category 3: County Treasurer Education (090402 and 090602)</b> .....	<b>8</b>
Continuing Education (090402) .....	8
County Treasurer Education (090602) .....	8
<b>Category 4: Police and Fire Subsidies (090524, 090534, 090554, and 090575)</b> .....	<b>10</b>
Police and Fire Disability Pension Fund (090524) .....	10
Police and Fire Ad Hoc Cost of Living (090534).....	10
Police and Fire Survivor Benefits (090554).....	10
Police and Fire Death Benefits (090575).....	10
<b>Category 5: Tax Refunds (090635)</b> .....	<b>11</b>
Tax Refunds (090635) .....	11

## **ATTACHMENT:**

Budget Spreadsheet By Line Item

# Treasurer of State

- The Treasurer's budget includes funding for the Sinking Fund's operations
- About two-thirds of the Treasurer's budget is used for subsidies and tax refunds

## OVERVIEW

### Agency Overview

The Office of the Treasurer of State (TOS), which was established over 200 years ago, is responsible for protecting, managing, and investing 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.

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 Treasurer's Office collects over \$15 billion in revenues annually from 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. The Treasurer's Office administers and invests over \$12 billion in total assets of the state investment portfolios. The types of financial instruments that the Treasurer's Office may invest in are statutorily defined in the Ohio Revised Code.

The Treasurer's Office also serves as custodian of about \$187 billion of moneys in the state treasury and certain moneys that are held, by law, in the custody of the Treasurer's Office, but outside the state treasury. The Treasurer's Office also safeguards the funds of the state's five public pension systems. Additionally, the Treasurer is authorized to issue various bonds for specified purposes.

### Appropriation Overview

The following table presents the appropriations by fund group for the Office of the Treasurer of State for the FY 2014-FY 2015 biennium.

**Table 1. Appropriations by Fund Group, FY 2014-FY 2015**

Fund Group	FY 2013*	FY 2014	% change, FY 2013-FY 2014	FY 2015	% change, FY 2014-FY 2015
General Revenue	\$29,125,033	\$29,206,559	0.3%	\$29,206,559	0.0%
General Services	\$3,075,266	\$5,620,057	82.8%	\$5,620,057	0.0%
Agency Fund	\$7,058,021	\$6,000,000	-15.0%	\$6,000,000	0.0%
<b>TOTAL</b>	<b>\$39,258,320</b>	<b>\$40,826,616</b>	<b>4.0%</b>	<b>\$40,826,616</b>	<b>0.0%</b>

\*FY 2013 figures represent actual expenditures.

The budget appropriates a total of \$40.8 million each for FY 2014 and FY 2015. This amount is about \$1.6 million, or 4.0%, higher than total FY 2013 actual expenditures. Of these amounts, approximately \$29.2 million each year represents GRF appropriations. The remaining appropriations are drawn from four funds in the General Services Fund Group and one in the Agency Fund Group.

Total GRF appropriations for FY 2014 are \$29.2 million, and the same amount is appropriated for FY 2015. This amount is \$81,526, or 0.3%, higher than FY 2013 actual expenditures. Of these total GRF appropriations, \$7.7 million in each year is appropriated for line item 090321, Operating Expenses. This amount is \$1,394 higher than the FY 2013 actual spending for that line item. Most of the GRF appropriations, \$20.6 million, about 70% each fiscal year, are for subsidies that are administered by the Board of Police and Fire Pension Fund. This amount is \$2,343 higher than FY 2013 actual expenditures. The remaining \$880,006 each year in GRF funding is split between two appropriation items, which in total are \$77,790, or 9.7%, higher than FY 2013 actual expenditures. One of those line items funds the operations of the Commissioners of the Sinking Fund (see CSF Greenbook), and the other funds continuing education programs for local government officials.

The budget provides the Treasurer's Office with non-GRF funding of \$11.6 million each for FY 2014 and FY 2015. This non-GRF funding comes from investment income, and fees and charges assessed on services provided by the Treasurer. Slightly over half of the non-GRF funding is for tax refunds, which are \$1.1 million, or 15.0%, lower than the actual expenditures for FY 2013. The remaining funding is split between four appropriation line items that fund operation of the Office and educational programs for local government financial officials. The total appropriations for the four line items are \$2.5 million, or 82.8%, higher than FY 2013 actual expenditures.

## Budget Issues

### Linked Deposit Programs

As authorized under current law, TOS operates five "linked deposit" programs. Under these programs, TOS deposits state funds in an eligible financial institution at below-market interest rates. In return, the financial institution agrees to lend the same amount to eligible farmers or businesses at below-market rates.

The budget includes a definition of "loan" for purposes of the existing Small Business Linked Deposit Program, Agricultural Linked Deposit Program, and Housing Linked Deposit Program. The budget defines a "loan" as a contractual agreement under which an eligible lending institution agrees to lend money in the form of an upfront lump sum, a line of credit, or any other reasonable arrangement approved by the Treasurer of State. The budget specifies that, under the Housing Linked Deposit Program, loans must be made at a fixed interest rate of "up to" 300 basis points below the present borrowing rate, rather than at a rate "of" 300 basis points below the present borrowing rate, as is required under previous law.

### Annual Report Deadline

The budget changes the filing date for the Treasurer of State's annual report of the transactions and proceedings of the Treasurer of State's office from August 1 to December 31.

## Vetoed Provision

### Treasury Management System

The Governor vetoed a provision of the budget that would have allowed the Treasurer of State to issue up to \$10 million in special obligation bonds authorized under Section 2i of Article VIII of the Ohio Constitution for the purpose of acquiring and implementing a Treasury Management System. The Governor also vetoed a provision that would have created a new capital appropriation item within the Administrative Building Fund (Fund 7026) with an appropriation of \$10 million for the FY 2014-FY 2015 biennium, to pay for costs associated with the acquisition, development, installation, and implementation of the Treasury Management System.

## ANALYSIS OF ENACTED BUDGET

### Introduction

This section provides an analysis of each appropriation item in TOS's budget. In this analysis, TOS's line items are grouped into five 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 five categories used in this analysis are as follows:

1. Treasurer's Office Operations;
2. Office of the Sinking Fund;
3. County Treasurer Education;
4. Police and Fire Subsidies; and
5. 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 Enacted Budget		
Fund	ALI and Name	Category
<b>General Revenue Fund</b>		
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	3: County Treasurer Education
GRF 090524	Police and Fire Disability Pension Fund	4: Police and Fire Subsidies
GRF 090534	Police and Fire Ad Hoc Cost of Living	4: Police and Fire Subsidies
GRF 090554	Police and Fire Survivor Benefits	4: Police and Fire Subsidies
GRF 090575	Police and Fire Death Benefits	4: Police and Fire Subsidies
<b>General Services Fund Group</b>		
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	3: County Treasurer Education
6050 090609	Treasurer of State Administrative Fund	1: Treasurer's Office Operations
<b>Agency Fund Group</b>		
4250 090635	Tax Refunds	5: Tax Refunds

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

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

Appropriations for Treasurer of State Operations				
Fund	ALI and Name		FY 2014	FY 2015
<b>General Revenue Fund</b>				
GRF	090321	Operating Expenses	\$7,743,553	\$7,743,553
<b>General Revenue Fund Subtotal</b>			<b>\$7,743,553</b>	<b>\$7,743,553</b>
<b>General Services Fund Group</b>				
4E90	090603	Securities Lending Income	\$3,765,000	\$3,765,000
5770	090605	Investment Pool Reimbursement	\$850,000	\$850,000
6050	090609	Treasurer of State Administrative Fund	\$835,000	\$835,000
<b>General Services Fund Group Subtotal</b>			<b>\$5,450,000</b>	<b>\$5,450,000</b>
<b>Total Funding: Treasurer of State Operations</b>			<b>\$13,193,553</b>	<b>\$13,193,553</b>

#### 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 budget appropriates \$7.7 million each for FY 2014 and FY 2015. This amount is \$1,394, or 0.02%, higher than actual expenditures for FY 2013. The appropriations are sufficient to pay for the Treasurer's Office anticipated general operating expenses in the FY 2014-FY 2015 biennium.

#### 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 budget appropriates \$3.8 million each for FY 2014 and FY 2015. This amount is \$1.0 million, or 36.6%, higher than the actual expenditures in FY 2013.

#### 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. Funding for the program is from fees paid by governmental subdivisions that participate in the fund.

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 \$850,000 each year of the next biennium, which is \$618,832, or 267.7%, higher than actual expenditures for FY 2013.

**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. Funding is from fees paid by those entities who receive the services.

The budget provides \$835,000 for FY 2014 and the same amount in FY 2015. This amount is \$827,015, or 10,357.1%, higher than actual expenditures for FY 2013.



**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 2014	FY 2015
<b>General Revenue Fund</b>				
GRF	090401	Office of the Sinking Fund	\$502,304	\$502,304
<b>General Revenue Fund Subtotal</b>			<b>\$502,304</b>	<b>\$502,304</b>
<b>Total Funding: Office of The Sinking Fund</b>			<b>\$502,304</b>	<b>\$502,304</b>

**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.

The budget provides \$502,304 each for FY 2014 and FY 2015. This amount is \$68,285, or 15.7%, higher than actual expenditures in FY 2013.

### Category 3: County Treasurer Education (090402 and 090602)

This category of line items provides funding for county treasurer education. The budget provides the funding necessary to maintain the county treasurer education at current levels.

Appropriations for County Treasurer Education				
Fund	ALI and Name		FY 2014	FY 2015
<b>General Revenue Fund</b>				
GRF	090402	Continuing Education	\$377,702	\$377,702
<b>General Revenue Fund Subtotal</b>			<b>\$377,702</b>	<b>\$377,702</b>
<b>General Services Fund Group</b>				
5C50	090602	County Treasurer Education	\$170,057	\$170,057
<b>General Services Fund Group Subtotal</b>			<b>\$170,057</b>	<b>\$170,057</b>
<b>Total Funding: County Treasurer Education</b>			<b>\$547,759</b>	<b>\$547,759</b>

#### Continuing Education (090402)

The budget authorizes the Treasurer of State to include in existing continuing education programs for treasurers' education regarding the collection of taxes and any subject area that the Treasurer determines is reasonably related to treasurers' duties. The budget expands the existing continuing education exemptions for treasurers who invest or deposit public moneys only in restricted funds specified by law, any treasurer who deposits interim moneys in a public depository, and authorizes the public depository to re-deposit the interim moneys into deposit accounts in federally insured banks, savings banks, or savings and loan associations, under certain conditions.

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 budget appropriates \$377,702 in both FY 2014 and FY 2015. This amount is \$9,505, or 2.6%, higher than actual expenditures for FY 2013.

#### 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 budget provides \$170,057 for FY 2014 and the same amount in FY 2015. This amount is \$89,871, or 112.1%, higher than actual expenditures for FY 2013.

### Category 4: 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 budget appropriates \$20.6 million for subsidies each for FY 2014 and FY 2015, \$2,234 above actual expenditures for subsidies for FY 2013.

Appropriations for Police and Fire Subsidies				
Fund	ALI and Name		FY 2014	FY 2015
<b>General Revenue Fund</b>				
GRF	090524	Police and Fire Disability Pension Fund	\$6,000	\$6,000
GRF	090534	Police and Fire Ad Hoc Cost of Living	\$70,000	\$70,000
GRF	090554	Police and Fire Survivor Benefits	\$507,000	\$507,000
GRF	090575	Police and Fire Death Benefits	\$20,000,000	\$20,000,000
<i>General Revenue Fund Subtotal</i>			<b>\$20,583,000</b>	<b>\$20,583,000</b>
<b>Total Funding: Police and Fire Subsidies</b>			<b>\$20,583,000</b>	<b>\$20,583,000</b>

#### 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 and Fire Ad Hoc Cost of Living (090534)

This GRF line item subsidizes a 5% benefit increase for retirees who belonged to the PFDPF system.

#### 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, corrections officers, drug agents, and the Bureau of Criminal Identification and Investigation's (BCII) investigators and special agents who die in the line of duty or who die from injuries sustained in the line of duty.

**Category 5: Tax Refunds (090635)**

This category provides moneys for certain tax refunds to Ohio taxpayers. The budget provides \$6.0 million for tax refunds for FY 2014 and FY 2015. This funding is 15.0% lower than FY 2013 actual expenditures. Actual tax refunds in FY 2012 were \$18.7 million.

<b>Appropriations for Tax Refunds</b>				
<b>Fund</b>	<b>ALI and Name</b>		<b>FY 2014</b>	<b>FY 2015</b>
<b>Agency Fund Group</b>				
4250	090635	Tax Refunds	\$6,000,000	\$6,000,000
<b>Agency Fund Group Subtotal</b>			<b>\$6,000,000</b>	<b>\$6,000,000</b>
<b>Total Funding: Tax Refunds</b>			<b>\$6,000,000</b>	<b>\$6,000,000</b>

**Tax Refunds (090635)**

This line item is used to pay tax 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).

TOS.docx/lb

# FY 2014 - FY 2015 Final Appropriation Amounts

# All Fund Groups

## Line Item Detail by Agency

			FY 2012	FY 2013	Appropriation FY 2014	FY 2013 to FY 2014 % Change	Appropriation FY 2015	FY 2014 to FY 2015 % Change
<b>Report For Main Operating Appropriations Bill</b>			<b>Version: Enacted</b>					
<b>TOS Treasurer of State</b>								
GRF	090321	Operating Expenses	\$ 7,743,479	\$ 7,742,159	\$ 7,743,553	0.02%	\$ 7,743,553	0.00%
GRF	090401	Office of the Sinking Fund	\$ 443,514	\$ 434,019	\$ 502,304	15.73%	\$ 502,304	0.00%
GRF	090402	Continuing Education	\$ 363,021	\$ 368,197	\$ 377,702	2.58%	\$ 377,702	0.00%
GRF	090524	Police and Fire Disability Pension Fund	\$ 6,834	\$ 5,950	\$ 6,000	0.84%	\$ 6,000	0.00%
GRF	090534	Police and Fire Ad Hoc Cost of Living	\$ 77,615	\$ 69,427	\$ 70,000	0.82%	\$ 70,000	0.00%
GRF	090554	Police and Fire Survivor Benefits	\$ 554,650	\$ 505,280	\$ 507,000	0.34%	\$ 507,000	0.00%
GRF	090575	Police and Fire Death Benefits	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	0.00%	\$ 20,000,000	0.00%
<b>General Revenue Fund Total</b>			<b>\$ 29,189,113</b>	<b>\$ 29,125,033</b>	<b>\$ 29,206,559</b>	<b>0.28%</b>	<b>\$ 29,206,559</b>	<b>0.00%</b>
4E90	090603	Securities Lending Income	\$ 4,077,250	\$ 2,755,927	\$ 3,765,000	36.61%	\$ 3,765,000	0.00%
5770	090605	Investment Pool Reimbursement	\$ 627,131	\$ 231,168	\$ 850,000	267.70%	\$ 850,000	0.00%
5C50	090602	County Treasurer Education	\$ 109,128	\$ 80,186	\$ 170,057	112.08%	\$ 170,057	0.00%
6050	090609	Treasurer of State Administrative Fund	\$ 1,448	\$ 7,985	\$ 835,000	10,357.05%	\$ 835,000	0.00%
<b>General Services Fund Group Total</b>			<b>\$ 4,814,957</b>	<b>\$ 3,075,266</b>	<b>\$ 5,620,057</b>	<b>82.75%</b>	<b>\$ 5,620,057</b>	<b>0.00%</b>
4250	090635	Tax Refunds	\$ 18,681,127	\$ 7,058,021	\$ 6,000,000	-14.99%	\$ 6,000,000	0.00%
<b>Agency Fund Group Total</b>			<b>\$ 18,681,127</b>	<b>\$ 7,058,021</b>	<b>\$ 6,000,000</b>	<b>-14.99%</b>	<b>\$ 6,000,000</b>	<b>0.00%</b>
<b>Treasurer of State Total</b>			<b>\$ 52,685,197</b>	<b>\$ 39,258,320</b>	<b>\$ 40,826,616</b>	<b>3.99%</b>	<b>\$ 40,826,616</b>	<b>0.00%</b>