

# **LSC Greenbook**

**Analysis of the Enacted Budget**

**Treasurer of State**

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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
- Nearly 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) 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. Currently, the Office of the Treasurer of State employs approximately 126 full-time equivalent (FTE) employees.<sup>1</sup>

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 \$16 billion in revenues annually from various state taxes, court fees, and fines. The Treasurer's Office also administers and invests over \$12 billion in total assets of the five state investment portfolios.<sup>2</sup> 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 serves as custodian of over \$150 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 also safeguards the funds of the state's five public pension systems. Additionally, the Treasurer is authorized to issue various bonds for specified purposes.

The following table presents the number of filled positions for the Office of the Treasurer of State since 2009. Figures for FY 2012 and FY 2013 are estimates.

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<sup>1</sup> Derived from *Monthly Report – Number of Employees*, prepared by the Department of Administrative Services, July 15, 2011.

<sup>2</sup> Market value as of May 31, 2011 – Regular Account, \$7.0 billion; Ohio Lottery DPTF, \$0.7 billion; STAR Ohio, \$4.4 billion; Buckeye Tobacco (School Facilities), \$0.5 billion; and Buckeye Tobacco (Board of Regents), \$0.5 million. The regular account contains money from the General Revenue Fund (GRF) and other moneys held on behalf of various state agencies.

<b>Table 1. Treasurer of State Staffing Levels</b>					
	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012 est.</b>	<b>FY 2013 est.</b>
Treasurer of State	117	135	116	123	123
Office of the Sinking Fund	5	5	5	5	5
<b>TOTAL</b>	<b>122</b>	<b>140</b>	<b>121</b>	<b>128</b>	<b>128</b>

## Appropriation Overview

The following table presents the appropriations by fund group for the Office of the Treasurer of State for the FY 2012-FY 2013 biennium.

<b>Table 2. Appropriations by Fund Group, FY 2012-FY 2013 (Am. Sub. H.B. 153)</b>					
<b>Fund Group</b>	<b>FY 2011*</b>	<b>FY 2012</b>	<b>% change, FY 2011-FY 2012</b>	<b>FY 2013</b>	<b>% change, FY 2012-FY 2013</b>
General Revenue	\$29,840,810	\$29,318,459	-1.8%	\$29,318,459	0.0%
General Services	\$3,607,125	\$5,684,498	57.6%	\$5,684,498	0.0%
Agency Fund	\$5,532,203	\$6,000,000	8.5%	\$6,000,000	0.0%
<b>TOTAL</b>	<b>\$38,980,138</b>	<b>\$41,002,957</b>	<b>5.2%</b>	<b>\$41,002,957</b>	<b>0.0%</b>

\*FY 2011 figures represent actual expenditures.

The budget appropriates a total of \$41.0 million for FY 2012. This amount is about \$2.0 million, or 5.2%, higher than total FY 2011 actual expenditures. Appropriations for FY 2013 are the same as for FY 2012. Of these amounts, approximately \$29.3 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 2012 are \$29.3 million. This amount is \$0.5 million, or 1.8%, lower than total FY 2011 actual expenditures. Total GRF appropriations for FY 2013 are the same as the appropriations for FY 2012. Of the GRF appropriations in FY 2012, \$7.7 million is appropriated for line item 090321, Operating Expenses. This amount is about \$0.5 million, or 6.0%, lower than FY 2011 actual expenditures for that line item. The appropriations for this line item for FY 2013 are the same as for FY 2012. Most of the GRF appropriations, \$20.7 million each fiscal year or just over 70% of the GRF funding for the biennium, is for subsidies that are administered by the Board of Police and Fire Pension Fund. This amount is \$2,266 higher than FY 2011 actual expenditures. The remaining approximately \$880,000 each year in GRF funding is split between two appropriation items, which between them will receive 3.5% less than FY 2011 actual expenditures in each year. One of those line items funds the operations of the Commissioners of the Sinking Fund (see separate

Greenbook), and the other funds continuing education programs for local government officials.

The budget also provides the Treasurer's Office with non-GRF appropriations of \$11.7 million in FY 2012. Slightly over half of this is for tax refunds, which is an 8.5% increase in FY 2012 from FY 2011 actual expenditures. 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 amount appropriated for the four line items is about \$5.7 million, or 57.6% higher than FY 2011 actual expenditures. This non-GRF funding comes from investment income, and fees and charges assessed on services provided by the Treasurer.

## Major Initiatives

### Transfer of OBA Bonding Authority to the Treasurer of State

The budget allows the Treasurer of State to supersede and replace the Ohio Building Authority (OBA) as the issuing authority in all matters related to the issuance of obligations for the financing of capital facilities for housing branches and agencies of state government and for the financing of community or technical college capital facilities pursuant to the Bond Intercept Program.<sup>3</sup> The budget also creates in the state treasury the following bond service trust funds for the purpose of payment of bond service charges for sales of obligations credited to the corresponding funds: Administrative Facilities Bond Service Trust Fund (to pay service charges for the Administrative Building Fund), Adult Correctional Facilities Bond Service Trust Fund (Adult Correctional Building Fund), Juvenile Correctional Facilities Bond Service Trust Fund (Juvenile Correctional Building Fund), and Public Safety Bond Service Trust Fund (Public Safety Building Fund) and consolidates them in one section of the law (R.C. 154.24).

### Small Business Linked Deposit Program Investments

The budget expands the financial instruments that the Treasurer of State may place with an eligible lending institution for purposes of lending the deposit to eligible small businesses at a rate below the present borrowing rate. The financial instruments that may be used for the Small Business Linked Deposit Program would be the same as those currently authorized for the Housing Linked Deposit Program.

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<sup>3</sup> However, the budget does not repeal OBA's current bond issuing authority for those purposes. The budget specifies that the transfer of bond issuance authority from OBA to the Treasurer does not apply to OBA's interests or responsibilities for the operation or maintenance of the James A. Rhodes State Office Tower, the Vern Riffe Center for Government and the Arts, the Frank J. Lausche State Office Building, the Michael V. DiSalle Government Center, the Oliver R. Ocasek Government Office Building, and the State of Ohio Computer Center.

## **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.

<b>Categorization of TOS's Appropriation Line Items for Analysis of Enacted Budget</b>		
<b>Fund</b>	<b>ALI and Name</b>	<b>Category</b>
<b>General Revenue Fund Group</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 2012	FY 2013
<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	\$4,829,441	\$4,829,441
5770	090605	Investment Pool Reimbursement	\$550,000	\$550,000
6050	090609	Treasurer of State Administrative Fund	\$135,000	\$135,000
<b>General Services Fund Group Subtotal</b>			<b>\$5,514,441</b>	<b>\$5,514,441</b>
<b>Total Funding: Treasurer of State Operations</b>			<b>\$13,257,994</b>	<b>\$13,257,994</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 in both FY 2012 and FY 2013. This amount is \$492,995, or 6.0%, lower than actual expenditures for FY 2011.

#### 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 \$4.8 million each for FY 2012 and FY 2013. This amount is approximately \$1.6 million, or 50.5%, higher than actual expenditures in FY 2011.

#### 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 \$550,000 for FY 2012 and the same amount in FY 2013. This amount is \$375,747, or 215.6%, higher than actual expenditures for FY 2011.

**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 appropriates \$135,000 for FY 2012 and the same amount in FY 2013. This amount is \$27,768, or 17.1%, lower than the actual expenditure for FY 2011.

**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 2012	FY 2013
<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 appropriation for FY 2012 is \$502,304. This amount is \$22,919, or 4.4%, lower than the actual expenditure in FY 2011. The appropriation for FY 2013 is the same as the appropriation for FY 2012.

### 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 county treasurer education programs at current levels.

Appropriations for County Treasurer Education				
Fund	ALI and Name		FY 2012	FY 2013
<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)

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 2012 and FY 2013. This amount is \$8,704, or 2.3%, lower than actual expenditures for FY 2011.

#### 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 appropriates \$170,057 for FY 2012 and the same amount in FY 2013. This amount is \$107,953 or 173.8%, higher than the actual expenditure for FY 2011.

#### 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 \$20.7 million for subsidies each for FY 2012 and FY 2013. The appropriations each year are slightly higher than actual subsidies for FY 2011, by \$2,266, or less than 0.1%, across all four line items. Actual subsidies may decrease each year for certain line items, as the number of members covered by the particular benefit declines.

Appropriations for Police and Fire Subsidies				
Fund	ALI and Name		FY 2012	FY 2013
<b>General Revenue Fund</b>				
GRF	090524	Police and Fire Disability Pension Fund	\$7,900	\$7,900
GRF	090534	Police and Fire Ad Hoc Cost of Living	\$87,000	\$87,000
GRF	090554	Police and Fire Survivor Benefits	\$600,000	\$600,000
GRF	090575	Police and Fire Death Benefits	\$20,000,000	\$20,000,000
<i>General Revenue Fund Subtotal</i>			<b>\$20,694,900</b>	<b>\$20,694,900</b>
<b>Total Funding: Police and Fire Subsidies</b>			<b>\$20,694,900</b>	<b>\$20,694,900</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 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 5: Tax Refunds (090635)

This category provides moneys for certain tax refunds to Ohio taxpayers. The budget appropriates \$6.0 million for tax refunds for FY 2012 and FY 2013. The appropriations are \$467,797, or 8.5%, higher than the FY 2011 actual expenditure. Actual tax refunds in FY 2011 were \$5.5 million.

Appropriations for Tax Refunds				
Fund		ALI and Name	FY 2012	FY 2013
<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).

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# FY 2012 - FY 2013 Final Appropriation Amounts

# All Fund Groups

Line Item Detail by Agency					Appropriations	FY 2011 to FY 2012	Appropriations	FY 2012 to FY 2013
			FY 2010	FY 2011	FY 2012	% Change	FY 2013	% Change
<b>Report For Main Operating Appropriations Bill</b>			<b>Version: Enacted</b>					
<b>TOS Treasurer of State</b>								
GRF	090321	Operating Expenses	\$ 7,986,939	\$ 8,236,548	\$ 7,743,553	-5.99%	\$ 7,743,553	0.00%
GRF	090401	Office of the Sinking Fund	\$ 478,316	\$ 525,223	\$ 502,304	-4.36%	\$ 502,304	0.00%
GRF	090402	Continuing Education	\$ 376,897	\$ 386,406	\$ 377,702	-2.25%	\$ 377,702	0.00%
GRF	090524	Police and Fire Disability Pension Fund	\$ 8,000	\$ 7,500	\$ 7,900	5.33%	\$ 7,900	0.00%
GRF	090534	Police and Fire Ad Hoc Cost of Living	\$ 95,000	\$ 86,904	\$ 87,000	0.11%	\$ 87,000	0.00%
GRF	090554	Police and Fire Survivor Benefits	\$ 679,060	\$ 598,230	\$ 600,000	0.30%	\$ 600,000	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>\$ 29,624,212</b>	<b>\$ 29,840,810</b>	<b>\$ 29,318,459</b>	<b>-1.75%</b>	<b>\$ 29,318,459</b>	<b>0.00%</b>
4E90	090603	Securities Lending Income	\$ 3,712,760	\$ 3,208,000	\$ 4,829,441	50.54%	\$ 4,829,441	0.00%
5770	090605	Investment Pool Reimbursement	\$ 270,843	\$ 174,253	\$ 550,000	215.63%	\$ 550,000	0.00%
5C50	090602	County Treasurer Education	\$ 89,946	\$ 62,104	\$ 170,057	173.83%	\$ 170,057	0.00%
6050	090609	Treasurer of State Administrative Fund	\$ 209,864	\$ 162,768	\$ 135,000	-17.06%	\$ 135,000	0.00%
<b>General Services Fund Group Total</b>			<b>\$ 4,283,413</b>	<b>\$ 3,607,125</b>	<b>\$ 5,684,498</b>	<b>57.59%</b>	<b>\$ 5,684,498</b>	<b>0.00%</b>
4250	090635	Tax Refunds	\$ 4,392,939	\$ 5,532,203	\$ 6,000,000	8.46%	\$ 6,000,000	0.00%
<b>Agency Fund Group Total</b>			<b>\$ 4,392,939</b>	<b>\$ 5,532,203</b>	<b>\$ 6,000,000</b>	<b>8.46%</b>	<b>\$ 6,000,000</b>	<b>0.00%</b>
<b>Treasurer of State Total</b>			<b>\$ 38,300,564</b>	<b>\$ 38,980,138</b>	<b>\$ 41,002,957</b>	<b>5.19%</b>	<b>\$ 41,002,957</b>	<b>0.00%</b>