

State of Ohio
Treasurer of State

Role and Overview

The Treasurer of State (TOS) is a constitutional officer elected to a four-year term. The role of the TOS is to collect, invest, and protect state funds. The Treasurer's Office serves as the custodian of the public's money; manages the state's investment and lottery portfolios as well as the STAR OHIO program which pools the investments of local political subdivisions for greater returns, safety, and liquidity; and collects various state taxes, court fees, and fines. Consequently, the Treasurer's Office works closely as a limited partner with local public funds managers, small businesses, farmers, local government officials, and banks. The Treasurer's Office is also a major Ohio debt issuer and the TOS chairs the State Board of Deposit. The Treasurer of State employs approximately 140 employees. The approximate budget for fiscal year 2005 is \$72.2 million. More information on the Treasurer of State can be found at <http://www.treasurer.state.oh.us/>.

Executive Priorities for the Treasurer of State

- Manage the state's investment and lottery portfolios by investing available funds in a variety of financial instruments under statutory guidance provided by the legislature.
- Serve as the custodian of moneys in the State Treasury and certain public moneys held, by law, in the custody of the Treasurer.
- Operate linked deposit programs to assist small businesses, farmers, homeowners, and the disabled to obtain lower-cost loans.
- Manage the STAR OHIO program, pooling the investments of school districts and other local political subdivisions to provide safety, return, and liquidity.
- Manage the Bid Ohio program, which allows Ohio banks to competitively bid on interim state moneys via the Internet, keeping Ohio's investment dollars in the state while providing higher investment returns to the state through the use of competition.
- Manage the Securities Lending program, generating income by loaning securities on a short-term basis to selected brokerage firms and financial institutions for a fee.
- Issue debt for parks and recreation, mental health and mental retardation, highways, student loan programs, public infrastructure, economic development programs, and revitalization projects.

Summary of Budget History and Recommendations

| (In thousands) BUDGET FUND GROUP | FY 2002 | ACTUAL FY 2003 | FY 2004 | ESTIMATE FY 2005 | % CHANGE FY 04-05 | RECOMMENDED | | | |
|-------------------------------------|---------------|-------------------|---------------|---------------------|-------------------------|---------------|--------------|---------------|-------------|
| | | | | | | FY 2006 | % CHANGE | FY 2007 | % CHANGE |
| General Revenue Fund | 36,139 | 36,191 | 36,451 | 37,719 | 3.5 | 31,304 | (17.0) | 31,169 | (.4) |
| General Services Fund Group | 4,575 | 4,548 | 3,011 | 3,350 | 11.3 | 3,972 | 18.6 | 4,064 | 2.3 |
| State Special Revenue Fund Group | 91 | 150 | 147 | 135 | (8.0) | 135 | .0 | 135 | .0 |
| Agency Fund Group | 28,301 | 9,392 | 16,203 | 31,000 | 91.3 | 31,000 | .0 | 31,000 | .0 |
| TOTAL | 69,107 | 50,281 | 55,811 | 72,204 | 29.4 | 66,411 | (8.0) | 66,368 | (.1) |

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| (In thousands) OBJECT OF EXPENSE | FY 2002 | ACTUAL FY 2003 | FY 2004 | ESTIMATE FY 2005 | % CHANGE FY 04-05 | RECOMMENDED | | | |
|-------------------------------------|---------------|-------------------|---------------|---------------------|-------------------------|---------------|--------------|---------------|-------------|
| | | | | | | FY 2006 | % CHANGE | FY 2007 | % CHANGE |
| Personal Services | 10,189 | 9,743 | 9,516 | 10,316 | 8.4 | 10,825 | 4.9 | 11,040 | 2.0 |
| Purchased Services | 720 | 1,035 | 1,203 | 830 | (31.1) | 878 | 5.9 | 860 | (2.1) |
| Maintenance | 1,730 | 1,754 | 1,615 | 1,805 | 11.8 | 1,898 | 5.1 | 1,878 | (1.1) |
| Equipment | 2,073 | 1,509 | 462 | 362 | (21.6) | 336 | (7.2) | 252 | (25.0) |
| Subsidy | 25,931 | 26,780 | 26,636 | 27,720 | 4.1 | 21,305 | (23.1) | 21,170 | (.6) |
| Transfer & Other | 28,464 | 9,459 | 16,380 | 31,172 | 90.3 | 31,170 | .0 | 31,170 | .0 |
| TOTAL | 69,107 | 50,281 | 55,811 | 72,204 | 29.4 | 66,411 | (8.0) | 66,368 | (.1) |

PROGRAM SERIES 01: Program Management

This program series provides for the administrative expenses associated with the Treasurer of State's role of custodian, protector, and investor of public moneys.

Program 01.01: Program Management

This program provides for the collection, investment, and protection of state funds. The Treasurer's Office functions as the custodian of the public's money, manager of the state's investment portfolio, and collector of taxes and fees. Program Management supports office operations including treasury expenses, such as payroll, fringe benefits, maintenance, and equipment.

What the Budget Buys:

- Supports 133 staff members working to fulfill the Treasurer's statutory responsibilities to collect, invest, and protect state funds;
- Invests and manages approximately \$5.5 billion dollars in state funds, which require systems for cash forecasting, investment accounting, pricing of securities, and research; and
- Protects more than \$550 million in deposits in 135 public depositories around the state.

| FUND GROUP | FUND | ALI | ALI NAME | RECOMMENDED | |
|--------------------------|------|---------|--------------------|------------------|------------------|
| | | | | FY 2006 | FY 2007 |
| GRF | GRF | 090-321 | Operating Expenses | 9,041,937 | 9,041,937 |
| TOTAL FOR PROGRAM | | | | 9,041,937 | 9,041,937 |

Program 01.02: Administrative Fund/Custodial Account Services

This program supports the function of the Treasurer of State as the custodian of the public's money. Funding supports the safekeeping, disbursing, and administering of custodial moneys and assets, which are funds held in the custody of the Treasurer but not part of the state's Central Accounting System, and thus subject to different and lesser rules. This includes retirement system and various other agency funds.

This program 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.

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What the Budget Buys:

- Funds the contracts with eight financial institutions for custody and monitoring services for the approximately \$162 billion in custodial assets;
- Processes approximately 12 million state and custodial warrants from the state's five retirement systems, the Ohio Bureau of Worker's Compensation, the Ohio Department of Job and Family Services, and the Auditor of State; and
- Supports the securities lending program for the state's regular and lottery portfolios, including the development of securities lending policies, the selection of agents, and monitoring the performance of those agents.

| FUND GROUP | FUND | ALI | ALI NAME | RECOMMENDED | |
|--------------------------|------|---------|-------------------------------------|------------------|------------------|
| | | | | FY 2006 | FY 2007 |
| GSF | 4E9 | 090-603 | Securities Lending Income | 2,721,800 | 2,814,000 |
| GSF | 605 | 090-609 | Treasurer State Administrative Fund | 700,000 | 700,000 |
| TOTAL FOR PROGRAM | | | | 3,421,800 | 3,514,000 |

Program 01.03: STAROhio Investment and Management

This program provides for expenses associated with the Ohio Subdivision's Fund, commonly referred to as STAROhio. STAROhio is a AAA-rated investment alternative created for eligible governmental subdivisions. This local governments' investment pool, which consists of local subdivisions' deposits of interim moneys, is invested in high-quality short-term securities to provide shareholders with safety, return, and liquidity. TOS is reimbursed for administrative expenses, which are initially paid out of the pool's investment earnings.

What the Budget Buys:

- Compensates TOS for their portion of the services provided to the approximately 1,650 shareholders participating in the STAROhio program; and
- Funds daily portfolio management, management of the STAROhio securities lending program, compliance monitoring, and trade reconciliation.

| FUND GROUP | FUND | ALI | ALI NAME | RECOMMENDED | |
|--------------------------|------|---------|-------------------------------|----------------|----------------|
| | | | | FY 2006 | FY 2007 |
| GSF | 577 | 090-605 | Investment Pool Reimbursement | 550,000 | 550,000 |
| TOTAL FOR PROGRAM | | | | 550,000 | 550,000 |

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PROGRAM SERIES 02: Sinking Fund Management

This program series covers all costs incurred with respect to the issuance of State of Ohio general obligation bonds.

Program 02.01: Sinking Fund Management

This program supports the activities associated with the Commissioners of the Sinking Fund. This includes paying the debt service on general obligation bonds that are authorized by the state constitution and the legislature for specific purposes, although actual debt service payments are appropriated to other state agencies and not to TOS. This program covers all costs incurred by order of or on behalf of the Commissioners of the Sinking Fund, the Ohio Public Facilities Commission, or the Treasurer of State with respect to State of Ohio general obligation bonds. The General Revenue Fund is reimbursed from the affected issuance's bond retirement fund.

What the Budget Buys:

- Supports the wages and benefits for four employees associated with Sinking Fund management;
- Provides for the administrative expenses associated with debt issuance costs and debt service payments on the \$5 billion of outstanding general obligation bonds;
- Coordinates servicing of eight general obligation bond retirement funds and makes 16 debt service payments totaling \$661 million per year; and
- Services seven credit enhancement facilities and makes 14 associated payments annually.

| FUND GROUP | FUND | ALI | ALI NAME | RECOMMENDED | |
|--------------------------|------|---------|---------------------|----------------|----------------|
| | | | | FY 2006 | FY 2007 |
| GRF | GRF | 090-401 | Sinking Fund Office | 521,576 | 521,576 |
| TOTAL FOR PROGRAM | | | | 521,576 | 521,576 |

PROGRAM SERIES 03: Refunds and Subsidies Oversight

This program series provides for the payment of certain tax refunds, permissive tax distributions, and state contributions to the Ohio Police and Fire Pension Fund.

Program 03.01: Police and Fire Subsidies

This program provides for supplemental moneys to specified members of the Ohio Police and Fire Pension Fund and to surviving spouses and children of law enforcement officers, firefighters, and correction officers who die in the line of duty or who die from injuries sustained in the line of duty. This is subsidized in part to cover payments to officers retired prior to the consolidation of the local pension funds into the current entity, and in part due to the special service these employees provide to the general population of Ohio.

What the Budget Buys:

- Provides disability pension, supplemental cost of living payments, and survivor benefits for those receiving the payments as such prior to the consolidation creating the current Ohio Police and Fire Pension Fund;
- Supports death benefits payments to the families of law enforcement officers, firefighters, and correction officers who die in the line of duty; and
- Serves approximately 1,300 families per fiscal year.

| FUND GROUP | FUND | ALI | ALI NAME | RECOMMENDED | |
|--------------------------|------|---------|---------------------------------|-------------------|-------------------|
| | | | | FY 2006 | FY 2007 |
| GRF | GRF | 090-524 | Police & Fire Disability Pen | 25,000 | 20,000 |
| GRF | GRF | 090-534 | Police & Fire Ad Hoc COL | 180,000 | 150,000 |
| GRF | GRF | 090-554 | Police & Fire Survivor Benefits | 1,100,000 | 1,000,000 |
| GRF | GRF | 090-575 | Police & Fire Death Benefits | 20,000,000 | 20,000,000 |
| TOTAL FOR PROGRAM | | | | 21,305,000 | 21,170,000 |

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Program 03.02: Tax Refunds

This program provides moneys to pay tax refunds to Ohio taxpayers and permissive tax distributions that are not tax refunds.

What the Budget Buys:

- Provides for the payment of tax refunds and permissive tax distributions each fiscal year.

| FUND GROUP | FUND | ALI | ALI NAME | RECOMMENDED | |
|--------------------------|------|---------|-------------|-------------------|-------------------|
| | | | | FY 2006 | FY 2007 |
| AGY | 425 | 090-635 | Tax Refunds | 31,000,000 | 31,000,000 |
| TOTAL FOR PROGRAM | | | | 31,000,000 | 31,000,000 |

PROGRAM SERIES 04: County Treasurer Education

This program series supports continuing education programming for county treasurers to ensure the proper handling of moneys.

Program 04.01: Continuing Education

This program provides for the administration of the Center for Public Investment Management (CPIM) that conducts education programs for county treasurers and other public funds managers. CPIM enhances the background and working knowledge of local finance officers in areas of public finance, investments, cash management, and compliance and reporting.

What the Budget Buys:

- Supports the wages and benefits for five employees associated with the continuing education program; and
- Provides resources for approximately ten conferences around the state to provide training to 2,780 local public fund managers.

| FUND GROUP | FUND | ALI | ALI NAME | RECOMMENDED | |
|--------------------------|------|---------|----------------------------|----------------|----------------|
| | | | | FY 2006 | FY 2007 |
| GRF | GRF | 090-402 | Continuing Education | 435,770 | 435,770 |
| SSR | 5C5 | 090-602 | County Treasurer Education | 135,000 | 135,000 |
| TOTAL FOR PROGRAM | | | | 570,770 | 570,770 |

LINE ITEM SUMMARY - Treasurer

| FUND | ALI | ALI TITLE | FY 2002 ACTUAL | FY 2003 ACTUAL | FY 2004 ACTUAL | FY 2005 ESTIMATE | FY 2006 RECOMMENDED | % CHANGE | FY 2007 RECOMMENDED | % CHANGE |
|---|---------|---------------------------------|-------------------|-------------------|-------------------|---------------------|------------------------|---------------|------------------------|-------------|
| GRF | 090-321 | Operating Expenses | 9,412,744 | 8,677,775 | 8,936,388 | 9,041,937 | 9,041,937 | .0 | 9,041,937 | .0 |
| GRF | 090-401 | Sinking Fund Office | 377,505 | 270,718 | 454,935 | 521,576 | 521,576 | .0 | 521,576 | .0 |
| GRF | 090-402 | Continuing Education | 417,665 | 462,265 | 423,512 | 435,770 | 435,770 | .0 | 435,770 | .0 |
| GRF | 090-524 | Police & Fire Disability Pen | 39,684 | 32,360 | 27,832 | 30,000 | 25,000 | (16.7) | 20,000 | (20.0) |
| GRF | 090-534 | Police & Fire Ad Hoc COL | 250,446 | 223,908 | 199,428 | 230,000 | 180,000 | (21.7) | 150,000 | (16.7) |
| GRF | 090-544 | Police & Fire State Contrib | 1,200,000 | 1,200,000 | 1,200,000 | 1,200,000 | 0 | (100.0) | 0 | .0 |
| GRF | 090-554 | Police & Fire Survivor Benefits | 1,441,120 | 1,324,110 | 1,208,650 | 1,260,000 | 1,100,000 | (12.7) | 1,000,000 | (9.1) |
| GRF | 090-575 | Police & Fire Death Benefits | 23,000,000 | 24,000,000 | 24,000,000 | 25,000,000 | 20,000,000 | (20.0) | 20,000,000 | .0 |
| TOTAL General Revenue Fund | | | 36,139,164 | 36,191,136 | 36,450,745 | 37,719,283 | 31,304,283 | (17.0) | 31,169,283 | (.4) |
| 182 | 090-608 | Financial Planning Commissions | 8,468 | 1,888 | 0 | 0 | 0 | .0 | 0 | .0 |
| 4E9 | 090-603 | Securities Lending Income | 4,191,275 | 2,282,537 | 2,189,910 | 2,100,000 | 2,721,800 | 29.6 | 2,814,000 | 3.4 |
| 577 | 090-605 | Investment Pool Reimbursement | 242,135 | 592,086 | 386,897 | 550,000 | 550,000 | .0 | 550,000 | .0 |
| 605 | 090-609 | Treasurer State Admn Fund | 133,432 | 1,671,268 | 434,110 | 700,000 | 700,000 | .0 | 700,000 | .0 |
| TOTAL General Services Fund Group | | | 4,575,310 | 4,547,779 | 3,010,917 | 3,350,000 | 3,971,800 | 18.6 | 4,064,000 | 2.3 |
| 5C5 | 090-602 | County Treasurer Education | 91,180 | 149,758 | 146,728 | 135,000 | 135,000 | .0 | 135,000 | .0 |
| TOTAL State Special Revenue Fund Group | | | 91,180 | 149,758 | 146,728 | 135,000 | 135,000 | .0 | 135,000 | .0 |
| 425 | 090-635 | Tax Refunds | 28,301,099 | 9,392,291 | 16,202,694 | 31,000,000 | 31,000,000 | .0 | 31,000,000 | .0 |
| TOTAL Agency Fund Group | | | 28,301,099 | 9,392,291 | 16,202,694 | 31,000,000 | 31,000,000 | .0 | 31,000,000 | .0 |
| TOTAL Treasurer of State | | | 69,106,753 | 50,280,964 | 55,811,084 | 72,204,283 | 66,411,083 | (8.0) | 66,368,283 | (.1) |