

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 moneys; 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 2008 is \$66.6 million.

More information regarding the Treasurer of State is available at <http://www.ohiotreasurer.org/>.



Turnaround Ohio Initiatives

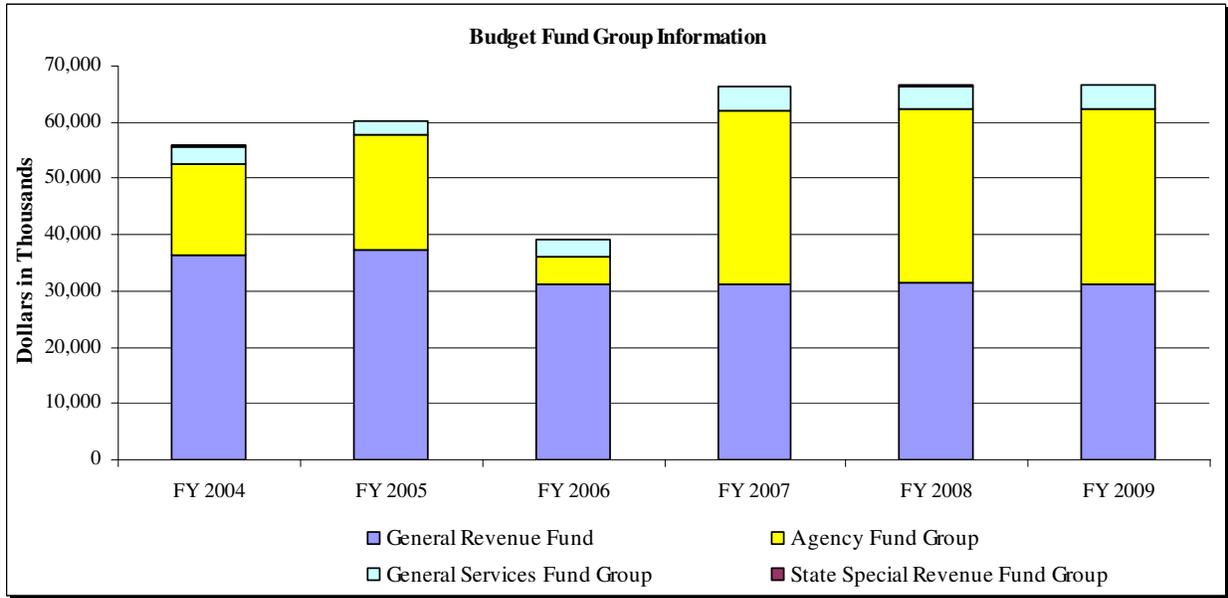
- Strengthen current system of internal financial controls and internal auditing.
- Update and improve efficiency of treasury operations and interface with agencies.
- Work with OBM, the legislature, state auditor, and others to bring in outside bank accounts for greater accountability, efficiency, cash flow, and investment returns.
- Work with the legislature, BWC, and pension systems to see that execution of the custodial function ensures proper financial checks and balances.
- Work with OBM, DOD, and the legislature to develop more financing options to meet the pressing needs of Ohioans in job creation, education, and health care.
- Develop an educational training program for local government units (townships, villages, cities, and school districts) that are fiscally challenged.

Agency Priorities

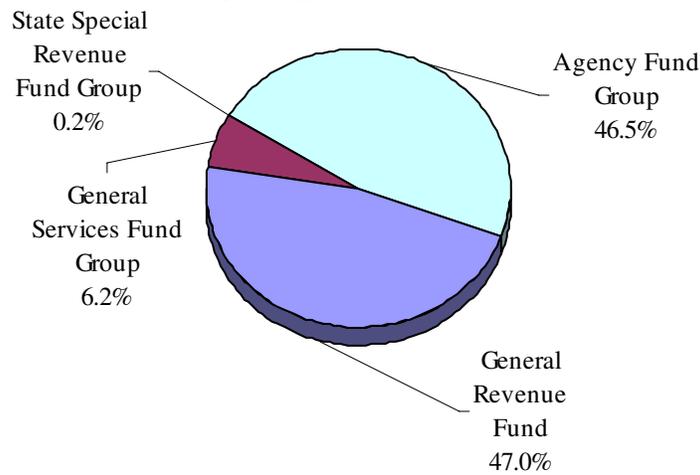
- Strengthen accountability in state government by improving transparency.
- Improve efficiency and reduce costs of all financial transactions.
- Review and rationalize all contractual commitments.
- Complete current work on comprehensive inventory of state-owned properties and work with the Governor to institute a procedure for allowing communities and the private sector to propose alternative uses for consideration in reviewing possible disposition of unused or underutilized state properties.
- Work with local officials and the legislature to improve land banking programs and other frameworks for revitalizing vacant and abandoned properties.
- Improve the transparency and accountability of the Treasury's investment and debt activities.
- Improve statewide cash management processes and the collection and concentration of funds to maximize investment returns.
- Maximize investment returns by better cash-flow forecasts without increased risk.
- Establish a Department of Finance and Economic Growth to maximize options for debt management and investment to foster economic development opportunities.
- Review existing programs (namely, Linked Deposit, Bid Ohio, and STAR Ohio) to find ways to distribute more money to community banks that will stimulate economic activity in Ohio's micropolitan and rural areas.
- Revive and expand the small business Linked Deposit program for job creation.
- Develop a Linked Deposit program to promote the use of home-grown products.
- Partner with others to offer programs for foreclosure prevention and intervention by providing information and help to consumers at risk.
- Work to implement the personal finance education component of Ohio CORE.

- Partner with others to create a teacher training academy to equip more teachers with the skills necessary to teach financial literacy.
- Expand the existing Women & Money program to broader demographics.
- Review and update the CPIM training for local financial officials.

Summary of Budget History and Recommendations



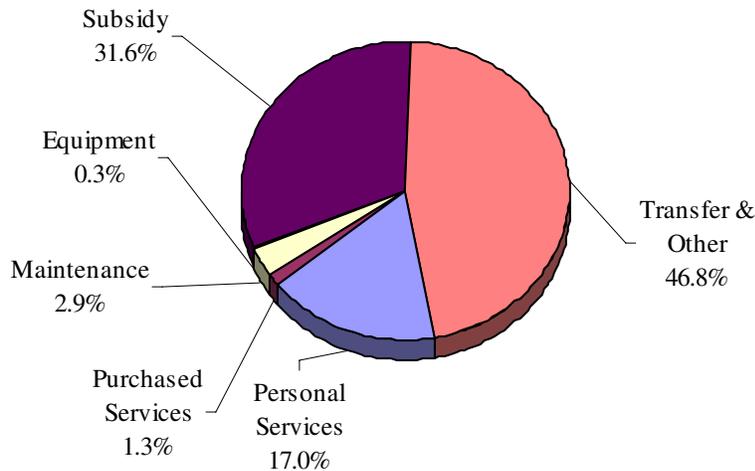
**FY 2008-09 Biennial Appropriation
by Budget Fund Group**



State of Ohio
Treasurer of State

(In thousands) BUDGET FUND GROUP	ACTUAL			ESTIMATE FY 2007	% CHANGE FY 06-07	RECOMMENDED			
	FY 2004	FY 2005	FY 2006			FY 2008	% CHANGE	FY 2009	% CHANGE
General Revenue Fund	36,451	37,161	31,279	31,169	(.3)	31,363	.6	31,306	(.2)
General Services Fund Group	3,011	2,484	3,097	4,064	31.2	4,064	.0	4,214	3.7
State Special Revenue Fund Group	147	148	114	135	18.3	135	.0	135	.0
Agency Fund Group	16,203	20,525	4,769	31,000	550.0	31,000	.0	31,000	.0
TOTAL	55,811	60,318	39,258	66,368	69.1	66,562	.3	66,655	.1

**FY 2008-09 Biennial Appropriation
by Expense Category**



(In thousands) OBJECT OF EXPENSE	ACTUAL			ESTIMATE FY 2007	% CHANGE FY 06-07	RECOMMENDED			
	FY 2004	FY 2005	FY 2006			FY 2008	% CHANGE	FY 2009	% CHANGE
Personal Services	9,516	9,520	9,849	11,011	11.8	11,348	3.1	11,884	4.7
Purchased Services	1,203	788	840	1,085	29.1	859	(20.8)	719	(16.3)
Maintenance	1,615	1,551	1,763	1,801	2.1	1,944	8.0	1,668	(14.2)
Equipment	462	383	795	173	(78.3)	210	21.4	250	19.2
Subsidy	26,636	27,501	21,186	21,170	(.1)	21,064	(.5)	21,007	(.3)
Transfer & Other	16,380	20,573	4,824	31,129	545.2	31,137	.0	31,127	.0
TOTAL	55,811	60,318	39,258	66,368	69.1	66,562	.3	66,655	.1

PROGRAM SERIES 01: Investment of Assets

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: Treasury 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. Treasury Management supports office operations including treasury expenses such as payroll, fringe benefits, maintenance, and equipment.

The Executive Recommendation will:

- Support 147 staff members working to fulfill the Treasurer's statutory responsibilities to collect, invest, and protect state funds;
- Support investment and management of \$7.3 billion in state funds, which requires systems for cash forecasting, investment accounting, pricing of securities, and research; and
- Protect more than \$440 million in deposits in 128 public depositories around the state.

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2008	FY 2009
GRF	GRF	090-321	Operating Expenses	9,313,195	9,313,195
TOTAL FOR PROGRAM				9,313,195	9,313,195

Program 01.02: Custodial Funds

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.

The Executive Recommendation will:

- Fund the contracts with eight financial institutions for custody and monitoring services for the approximately \$181 billion in custodial assets;
- Process approximately 7 million state and custodial warrants from the state's five retirement systems, the Ohio Bureau of Workers' Compensation, the Ohio Department of Job and Family Services, and the Auditor of State; and
- Support 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				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2008	FY 2009
GSF	4E9	090-603	Securities Lending Income	3,164,000	3,314,000
GSF	605	090-609	Treasurer of State Admin Fund	350,000	350,000
TOTAL FOR PROGRAM				3,514,000	3,664,000

Program 01.03: STAR Ohio Investment and Management

This program provides for expenses associated with the Ohio Subdivisions Fund, commonly referred to as STAR Ohio. STAR Ohio is a AAA-rated investment alternative created for eligible governmental subdivisions. This local government 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.

The Executive Recommendation will:

- Compensate the Treasurer's Office for its portion of the services provided to approximately 1,600 shareholders participating in the STAR Ohio program; and
- Support daily portfolio management, management of the STAR Ohio securities lending program, compliance monitoring, and trade reconciliation.

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2008	FY 2009
GSF	577	090-605	Investment Pool Reimbursement	550,000	550,000
TOTAL FOR PROGRAM				550,000	550,000

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.

The Executive Recommendation will:

- Provide wages and benefits for three employees associated with Sinking Fund management;
- Support administrative expenses associated with debt issuance costs and debt service payments on the \$7.6 billion of outstanding general obligation bonds;
- Administer nine general obligation bond retirement funds and make 22 debt service payments totaling \$813 million per year; and
- Service five credit enhancement facilities and make 12 associated payments annually.

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2008	FY 2009
GRF	GRF	090-401	Office of the Sinking Fund	537,223	537,223
TOTAL FOR PROGRAM				537,223	537,223

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 from injuries sustained in the line of duty. This is subsidized in part to cover payments to officers who 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.

The Executive Recommendation will:

- Provide disability pensions, supplemental cost-of-living payments, and survivor benefits for beneficiaries who received these payments prior to the consolidation that created the current Ohio Police and Fire Pension Fund;
- Support death benefit payments to the families of law enforcement officers, firefighters, and correction officers who die in the line of duty; and
- Serve approximately 1,300 families annually.

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2008	FY 2009
GRF	GRF	090-524	Police & Fire Disability Bfts	14,000	12,000
GRF	GRF	090-534	Police & Fire Ad Hoc Cola Bfts	140,000	130,000
GRF	GRF	090-554	Police & Fire Survivor Bfts	910,000	865,000
GRF	GRF	090-575	Police & Fire Death Benefits	20,000,000	20,000,000
TOTAL FOR PROGRAM				21,064,000	21,007,000

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.

The Executive Recommendation will:

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

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2008	FY 2009
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.

The Executive Recommendation will:

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

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2008	FY 2009
GRF	GRF	090-402	Continuing Education	448,843	448,843
SSR	5C5	090-602	County Treasurer Education	135,000	135,000
TOTAL FOR PROGRAM				583,843	583,843

Appropriation Line Item Analyses for Fiscal Years 2008 and 2009

Line Item Restructuring Analysis

Line item 090-609, Treasurer of State Admin Fund, will shift some administrative costs to 090-603, Securities Lending Income. This is because warrant processing revenue, which supports 090-609, is declining due to the shift to electronic funds transfer.

To illustrate changes in funding levels due to this restructuring, estimated fiscal year 2007 spending in the following table is converted from the previous line-item structure to the current line-item structure.

Fund	ALI	ALI Title	Estimated	Recommended			
			FY 2007	FY 2008	% Change	FY 2009	% Change
4E9	090-603	Securities Lending Income	3,164,000	3,164,000	0.0%	3,314,000	4.7%
605	090-609	Treasurer of State Admin Fund	350,000	350,000	0.0%	350,000	0.0%

Line Item Notes

090-524, Police & Fire Disability Bfts: This line item has a declining number of beneficiaries whose eligibility for this benefit predates the merger of local public safety personnel into the current statewide Police & Fire Pension Fund. For additional information, please refer to Program 03.01, Police and Fire Subsidies.

LINE ITEM SUMMARY - Treasurer

FUND	ALI	ALI TITLE	FY 2004 ACTUAL	FY 2005 ACTUAL	FY 2006 ACTUAL	FY 2007 ESTIMATE	FY 2008 RECOMMENDED	% CHANGE	FY 2009 RECOMMENDED	% CHANGE
GRF	090-321	Operating Expenses	8,936,388	8,845,881	9,292,805	9,041,937	9,313,195	3.0	9,313,195	.0
GRF	090-401	Office of the Sinking Fund	454,935	375,142	412,904	521,576	537,223	3.0	537,223	.0
GRF	090-402	Continuing Education	423,512	438,569	387,028	435,770	448,843	3.0	448,843	.0
GRF	090-524	Police & Fire Disability Bfts	27,832	23,250	18,568	20,000	14,000	**	12,000	**
GRF	090-534	Police & Fire Ad Hoc Cola Bfts	199,428	176,971	156,671	150,000	140,000	(6.7)	130,000	(7.1)
GRF	090-544	Police & Fire State Contrib	1,200,000	1,200,000	0	0	0	.0	0	.0
GRF	090-554	Police & Fire Survivor Bfts	1,208,650	1,101,250	1,010,750	1,000,000	910,000	(9.0)	865,000	(4.9)
GRF	090-575	Police & Fire Death Benefits	24,000,000	25,000,000	20,000,000	20,000,000	20,000,000	.0	20,000,000	.0
TOTAL General Revenue Fund			36,450,745	37,161,063	31,278,726	31,169,283	31,363,261	.6	31,306,261	(.2)
4E9	090-603	Securities Lending Income	2,189,910	1,786,369	2,129,310	2,814,000	3,164,000	12.4	3,314,000	4.7
577	090-605	Investment Pool Reimbursement	386,897	153,105	428,646	550,000	550,000	.0	550,000	.0
605	090-609	Treasurer of State Admin Fund	434,110	544,797	538,682	700,000	350,000	**	350,000	.0
TOTAL General Services Fund Group			3,010,917	2,484,271	3,096,638	4,064,000	4,064,000	.0	4,214,000	3.7
5C5	090-602	County Treasurer Education	146,728	148,162	114,142	135,000	135,000	.0	135,000	.0
TOTAL State Special Revenue Fund Group			146,728	148,162	114,142	135,000	135,000	.0	135,000	.0
425	090-635	Tax Refunds	16,202,694	20,524,563	4,768,872	31,000,000	31,000,000	.0	31,000,000	.0
TOTAL Agency Fund Group			16,202,694	20,524,563	4,768,872	31,000,000	31,000,000	.0	31,000,000	.0
TOTAL Treasurer of State			55,811,084	60,318,059	39,258,378	66,368,283	66,562,261	.3	66,655,261	.1