

# Treasurer of State

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- The Treasurer of State collects, invests, and protects state funds
- The Treasurer of State uses GRF moneys, fees, interest earnings, and other funds

## OVERVIEW

The Treasurer of State collects, invests, and protects state funds. The Treasurer's office functions as a custodian of the public's money, manager of the state's investment portfolio, and collector of taxes and fees. The Treasurer is a constitutional officer elected to a four-year term. The Treasurer also serves as a member of the State Board of Deposit and the Commissioners of the Sinking Fund. Currently, the Treasurer's office employs approximately 134 full-time equivalent employees.

### *Duties and Responsibilities*

The major responsibilities of the Treasurer of State are to collect funds, invest funds, and protect funds.

#### *Collect funds*

The Treasurer collects various state taxes, court fees, and fines.

#### *Invest funds*

The Treasurer manages the state's investment portfolio containing money from the General Revenue Fund, working to maximize the state's return on investment by investing available funds in a variety of financial instruments under statutory guidance provided by the legislature. The Treasurer also manages the STAROhio program, pooling the investments of schools and local subdivisions to obtain safe returns; manages the Bid Ohio program, working to keep Ohio's investment dollars in Ohio; and manages the Securities Lending program, generating income by loaning securities on a short-term basis to selected brokerage firms and financial institutions for a fee.

#### *Protect funds*

The Treasurer serves as custodian of both moneys in the state treasury and certain moneys that are held, by law, in the custody of the Treasurer outside the state treasury, and safeguards the funds of the state's five public pension systems.

#### *Other duties*

The Treasurer issues debt for parks and recreation, mental health and mental retardation, Clean Ohio Revitalization projects, and cultural and sports facilities buildings. The Treasurer also administers a continuing education program for Ohio's public funds managers to ensure that local tax dollars are invested wisely and safely.

**Agency in Brief**

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
127	\$66.41 million	\$66.37 million	\$31.30 million	\$31.17 million	Am. Sub. H. B. 66

\*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June, 2005.

The total appropriation for FY 2006 is \$66,411,083. This amount is \$6,093,024 higher than FY 2005 actual expenditures, a 10.1% increase. The appropriation for FY 2007 is \$66,368,283. This amount is \$42,800 lower than FY 2006, a 0.1% decrease.

The Treasurer's GRF appropriation for FY 2006 is \$31,304,283. This amount is \$5,856,781 lower than FY 2005 actual GRF expenditures, a decrease of 15.8%. The GRF appropriation for FY 2007 is \$31,169,283. This amount is \$135,000 lower than FY 2006, a 0.4% decrease.

**ANALYSIS OF THE ENACTED BUDGET****Program Series 1****Program Management**

**Purpose:** To collect, invest, and protect state funds.

The following table shows the line items that are used to fund Program Management, as well as the enacted budget funding levels.

Fund	ALI	Title	FY 2006	FY 2007
<b>General Revenue Fund</b>				
GRF	090-321	Operating Expenses	\$9,041,937	\$9,041,937
<b>General Revenue Fund Subtotal</b>			<b>\$9,041,937</b>	<b>\$9,041,937</b>
<b>General Services Fund</b>				
GSF	090-603	Securities Lending Income	\$2,721,800	\$2,814,000
GSF	090-605	Investment Pool Reimbursement	\$550,000	\$550,000
GSF	090-609	Treasurer of State Administrative Fund	\$700,000	\$700,000
<b>General Services Fund Subtotal</b>			<b>\$3,971,800</b>	<b>\$4,064,000</b>
<b>Total Funding: Program Management</b>			<b>\$13,013,737</b>	<b>\$13,105,937</b>

This analysis focuses on the following specific programs within the Program Management program series:

- **Program 1.1: Treasurer of State Operations**
- **Program 1.2: Administrative Fund/Custodial Account Services**
- **Program 1.3: STAROhio Investment and Management**

### **Program 1.1 Treasurer of State Operations**

**Program Description:** This line item provides funds for payroll, fringe benefits, maintenance, and equipment.

**Funding Source:** GRF

**Implication of the Enacted Budget:** The appropriation for FY 2006 is \$9,041,937. This amount is \$196,056 higher than the actual expenditures in FY 2005. The appropriation for FY 2007 is \$9,041,937, the same as the appropriation for FY 2006. The appropriation for FYs 2006-2007 is slightly above actual expenditures for FYs 2004-2005. Total appropriation for FYs 2006-2007 is \$18.08 million. Spending for operations in FYs 2004-2005 was \$17.78 million.

Am. Sub. H.B. 66 (H.B. 66) of the 126th General Assembly increases the membership of the Workers' Compensation Oversight Commission from nine to eleven members, decreases all terms of office from five years to three years, and requires that the two additional members to the Commission be investment expert members, one of whom is to be appointed by the Treasurer of State, and the other jointly appointed by the Speaker of the House and the President of the Senate. The Treasurer and the President and Speaker must make the appointments within 90 days after the effective date of the enacted bill.

### **Program 1.2 Administrative Fund/Custodial Account Services**

**Program Description:** 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.

This program also administers the Securities Lending program. This program loans securities on a short-term basis to selected brokerage firms and financial institutions.

**Funding Source:** GSF – fees charged to the entities receiving custodial services

**Implication of the Enacted Budget:** The appropriation for FY 2006 of \$700,000 is \$155,204 higher than the actual expenditures in FY 2005, an increase of 28.5%. The appropriation for FY 2007 is \$700,000, the same as for FY 2006. The combined appropriation for FYs 2006-2007 is \$1,400,000, an increase of \$421,094 (43.01%) from actual expenditures for FYs 2004-2005. Actual expenditures for FYs 2004-2005 were \$978,906.

### **Program 1.3 STAROhio Investment and Management**

**Program Description:** The Ohio Subdivision's Fund is commonly referred to as STAROhio. It is a AAA rated investment alternative created for eligible governmental subdivisions as defined in section 135.45 of the Revised Code. The investment pool is managed by a full-time investment staff with the Treasurer of State and is similar in concept to a money market mutual fund. STAROhio affords participants a convenient tool for investing in a 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.

**Funding Source:** GSF – investment pool administration fee paid by local governments who participate in the program

**Implication of the Enacted Budget:** The appropriation for both FY 2006 and FY 2007 is \$550,000. These appropriations are 25% greater than FY 2005 actual expenditures of \$153,104.

## Program Series 2

## Sinking Fund Management

**Purpose:** To issue and pay the debt service on certain general obligation bonds that are authorized by the state constitution and the legislature for specific purposes.

The following table shows the line item that is used to fund Sinking Fund Management, as well as the enacted budget funding levels.

Fund	ALI	Title	FY 2006	FY 2007
<b>General Revenue Fund</b>				
GRF	090-401	Office of the Sinking Fund	\$521,576	\$521,576
<b>General Revenue Fund Subtotal</b>			<b>\$521,576</b>	<b>\$521,576</b>
<b>Total Funding: Sinking Fund Management</b>			<b>\$521,576</b>	<b>\$521,576</b>

This analysis focuses on the following specific program within the program series.

### Program 2.1 Sinking Fund Management

**Program Description:** 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.

**Funding Source:** GRF

**Implication of the Enacted Budget:** The appropriation for both FY 2006 and FY 2007 is \$521,576. These appropriations are 39% greater than FY 2005 actual expenditures of \$375,143.

**Program Series 3****Refunds and Subsidies Oversight**

**Purpose:** To provide funding for certain tax refunds, permissive tax distributions, and subsidies to the Ohio Police and Fire Retirement System.

The following table shows the line items that are used to fund the Refunds and Subsidies Oversight program series, as well as the enacted budget funding levels.

Fund	ALI	Title	FY 2006	FY 2007
<b>General Revenue Fund</b>				
GRF	090-524	Police and Fire Disability Pension Fund	\$25,000	\$20,000
GRF	090-534	Police & Fire Ad Hoc Cost of Living	\$180,000	\$150,000
GRF	090-554	Police and Fire Survivor Benefits	\$1,100,000	\$1,000,000
GRF	090-575	Police and Fire Death Benefits	\$20,000,000	\$20,000,000
<b>General Revenue Fund Subtotal</b>			<b>\$21,305,000</b>	<b>\$21,170,000</b>
<b>Agency Fund</b>				
AGY	090-635	Tax Refunds	\$31,000,000	\$31,000,000
<b>Agency Fund Subtotal</b>			<b>\$31,000,000</b>	<b>\$31,000,000</b>
<b>Total Funding: Refunds and Subsidies Oversight</b>			<b>\$52,305,000</b>	<b>\$52,170,000</b>

This analysis focuses on the following specific programs within the Refunds and Subsidies Oversight program series:

- **Program 3.1: Police and Fire Subsidies**
- **Program 3.2: Tax Refunds**

**Program 3.1 Police and Fire Subsidies**

**Program Description:** 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.

**Funding Source:** GRF

**Implication of the Enacted Budget:** The \$21,305,000 appropriation for FY 2006 is \$6,196,471 (22.5%) below actual expenditures for FY 2005 and the \$21,170,000 appropriation for FY 2007 is \$135,000 (0.6%) below the FY 2006 appropriation. Funding decreases each year for certain accounts, as the number of members covered by the particular benefit declines. These subsidies provide 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.

H.B. 66 changes the certification requirement of the appropriation for Police and Fire Death Benefits, GRF fund item 090-575, from annually to quarterly.

**Temporary Law Provisions:** Specifies that GRF appropriation item 090-575, Police and Fire Death Benefits, will be disbursed annually by the Treasurer of State at the beginning of each fiscal year to the Ohio Police and Fire Pension Fund. The annual payment is required to be certified by the 20th day of June of each fiscal year and the unused money returned to the state.

### **Program 3.2 Tax Refunds**

**Program Description:** Moneys from this line item are 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).

**Funding Source:** AGY

**Implication of the Enacted Budget:** The appropriation for FY 2006 is \$10,475,437 (51.0%) greater than the actual expenditures in FY 2005. The appropriation for FY 2007 is the same as for FY 2006.

**Temporary Law Provisions:** Designates appropriation 090-635, Tax Refunds (Fund 425) in the Agency Fund Group, to be used to pay for required tax refunds. If the director of Budget and Management finds that additional amounts are necessary, the amounts are appropriated.