



Senate Finance Committee Monday, May 16, 2011 Budget Testimony from Ohio Treasurer Josh Mandel

Chairman Widener, Ranking Member Skindell and members of the Finance Committee- good afternoon. Thank you for the opportunity to appear before you today to ask for your thoughtful consideration of our budget request for the next biennium.

First, I will briefly describe the overall functions of the Treasurer of State's office. Second, I will discuss our plans to allocate the resources we are requesting today from the Legislature. Then finally, I will discuss some of the progress we have made since taking office, and some of the initiatives that the Treasurer's office will be undertaking in this budget cycle.

Overall Functions

The primary function of the Treasurer's office is to protect and invest the state's money, and it is my commitment to do so with integrity and transparency. Our office collects, processes, and deposits state revenue. We also issue bonds on behalf of the state and ensure timely payment of principal and interest. Additionally, we educate local government officials on how to responsibly invest public money.

Treasurer's Office Budget Request

The budget request before you today reduces general revenue fund (GRF) operating expenses by 6.5%. Our office is conducting a top-bottom review, and has consolidated departments, streamlined operations and increased efficiencies. We continue to examine ways to further save taxpayer money by leveraging technology and improving the delivery of services.

The Treasurer of State's budget request for each fiscal year in the 2012-2013 biennium is \$41,002,957. It's important to note, however, that over 65% of this amount (\$26,694,900) includes "pass-through" state contributions to the Ohio Police and Fire Pension Fund and certain tax refunds and distributions. Taking this into consideration, the budget for actual Treasury operations is proposed to be \$14,308,057 annually.

There are seven line items that comprise the operating expenses of the Treasurer of State; three of which are GRF and four of which are non-GRF. I'll begin with the three GRF line items.

General Revenue Fund

The Operating Expenses GRF line item funds payroll and benefits for the dedicated and highly-qualified men and women employed in our office. Additionally, it covers maintenance, equipment costs, and other operational expenses.

The Office of the Sinking Fund line item covers payroll costs involved with the issuance and administration of state debt. The Continuing Education line item partially funds the Center for Public Investment Management or CPIM, which provides statutorily required financial education to public funds managers.

Non-General Revenue Fund Items

Four line items fund the operations of the Treasurer's office in lieu of additional taxpayer dollars. Securities Lending Income generally funds non-payroll expenses for Treasury operations. Our Securities Lending Program generates revenue by investing the cash collateral received for loaning securities to approved entities. This line item is funded by the return on that investment.

The Investment Pool Reimbursement line item funds costs incurred by the Treasurer's office for administering the STAR Ohio program. STAR Ohio includes approximately 3,000 accounts totaling roughly \$4.5 billion in assets. The program allows Ohio government subdivisions to invest funds in a highly-rated public investment pool which typically offers higher yields than comparable for-profit funds. This line item is funded by administrative fees charged to the investment pool.

The County Treasurer Education line item provides the other source of funding for the Center for Public Investment Management through registration fees charged to local financial officers.

The TOS Administrative Fund line item funds custodial services provided by the office for the state's retirement systems, the Bureau of Workers' Compensation, and the Department of Job and Family Services. The funding for this line item comes from fees assessed to process warrants for the previously mentioned entities. This concludes my comments regarding our operating budget request.

Other Budgets Under the Treasury

The other budgets which fall under the purview of the Treasurer are the Board of Deposit and the Commissioners of the Sinking Fund. The Board of Deposit's function is to designate qualified financial institutions as state depositories, monitor state deposits, approve payment of service charges, and provide oversight of state investments. The Board is requesting \$1,876,000 for each year of the biennium, which represents no increase from FY 2011. The requested funding will pay for the state's banking and custody expenses.

The Commissioners of the Sinking Fund budget covers the payment of debt service on state general obligation bonds. This concludes my testimony on the resources requested by the Treasurer's office.

Top-Bottom Review of Treasury

While these requests only represent a small portion of the overall state budget, every dollar is of great significance to the taxpayers of Ohio. It is for this reason that my office is working to identify the most prudent use of every tax dollar. We began a top-bottom review of the Treasurer's office and operations immediately following my election, which is ongoing. This review has yielded positive results, some of which I will report on today.

- On the operations front, we have consolidated departments within the office and closed regional offices.

- We have taken many steps to leverage technology to increase efficiency and decrease costs. One great example of this is the fact that we will be ending the outdated practice of physically driving checks from the Treasurer's office in Columbus to our depository bank in Cleveland each day. We will instead be utilizing electronic banking for these deposits. If a member of the general public can deposit a check on her iPhone, there's no reason the state should be paying expensive couriers.
- In other examples, we are investing in financial software upgrades to heighten security, automate compliance reviews, and eliminate manual data entry.
- We performed a communications audit and determined that we were overpaying for dozens of unused phone, fax, and mobile lines. Turning these lines off will save the Treasurer's office over \$30,000 annually.

Upcoming Initiatives

Finally, in addition to protecting and investing taxpayer dollars, we are promoting programs that will help Ohio citizens and create an environment where business can prosper.

- My staff is exploring ways to leverage technology to increase security and efficiency in our operations, while providing better customer service.
- Our community education division continues to provide quality financial literacy courses throughout Ohio, including courses for students, seniors and veterans. This includes expanding online learning opportunities to improve accessibility and reduce costs.
- Our economic development department is exploring ways to expand our linked deposit programs to make more capital available to small businesses seeking to grow jobs in Ohio. We are evaluating all of our linked deposit programs to improve public awareness and increase participation among lending partners so that more small businesses and individuals can benefit from these programs.

Summary

In summary, the Treasurer of State's office is moving forward to meet the challenges facing our state today. We will continue to run a disciplined and financially sound office, and remain committed to protecting taxpayer dollars and implementing policies to help create a more business friendly environment. This concludes my prepared testimony. Thank you for your thoughtful consideration of our budget requests. I would be happy to answer any questions you may have.