

HB 5042 BUDGET REPORT and MEASURE SUMMARY

Joint Committee On Ways and Means

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Reviewed By: Walt Campbell, Legislative Fiscal Office

State Treasurer
2023-25

PRELIMINARY

Budget Summary*

	2021-23 Legislatively Approved Budget ⁽¹⁾	2023-25 Current Service Level	2023-25 Committee Recommendation	Committee Change from 2021-23 Leg. Approved	
				\$ Change	% Change
Other Funds Limited	\$ 119,107,730	\$ 126,748,301	\$ 128,723,586	\$ 9,615,856	8.1%
Other Funds Nonlimited	\$ 2,900,000	\$ 2,900,000	\$ 2,900,000	\$ -	0.0%
Total	\$ 122,007,730	\$ 129,648,301	\$ 131,623,586	\$ 9,615,856	7.9%

Position Summary

Authorized Positions	210	208	220	10
Full-time Equivalent (FTE) positions	200.95	199.91	212.20	11.25

⁽¹⁾ Includes adjustments through January 2023

* Excludes Capital Construction expenditures

Summary of Revenue Changes

The Office of the State Treasurer (OST) is funded with Other Funds revenues from the following sources: Investment Fund Management Fees, Commingled Investment Fund Management Fees, Banking Charges, Debt Management Charges, Oregon 529 Administrative Fees, and Oregon Retirement Savings Plan (OregonSaves) Administrative Fees. OST has broad statutory authority to generate revenue from charges based on the value of managed portfolios, fees charged for the number and type of banking transactions processed, account fees, debt management charges and fees on new issuances, charges for bond and coupon redemptions, and on holdings of state funds in excess of FDIC insurance levels.

The Oregon State Treasury expects to start the repayment of outstanding General Fund loans accrued during the 2015-17 and 2017-19 biennia for OregonSaves and the Oregon Achieving a Better Life Experience (ABLE) programs incrementally as revenues become sufficient to cover the ongoing operating costs and loan payments. Outstanding General Fund loans for OregonSaves and the ABLE program total \$5,144,357 and \$1,950,962, respectively.

Summary of General Government Subcommittee Action

OST provides banking, investment, and debt management services for the state of Oregon. The Oregon Constitution establishes the Office of the State Treasurer and the Treasurer is statutorily designated as the state’s investment officer and sole banking and cash management officer. OST maintains all state agency financial accounts and invests state funds that are not needed to meet current expenditure demands, including the state’s Trust Funds. OST coordinates and issues state bonds, provides oversight of local government bonding, and manages the public funds collateralization program for all financial institutions holding public funds. Additionally, OST invests excess funds for participating local

governments. OST is also responsible for administration of the Oregon 529 Savings plans, which include both the Oregon 529 College Savings Network and the ABLE program that permits the creation of tax-free, state-based savings accounts to pay for disability-related expenses. Finally, OST has responsibility for the OregonSaves Board charged with the establishment of a defined contribution retirement plan for people whose employers do not offer a qualified retirement plan under federal law. The College Savings, ABLE, and OregonSaves programs also have tax expenditure components.

The Subcommittee recommended a budget of \$128,723,586 Other Funds expenditure limitation and \$2,900,000 Other Funds Nonlimited, which is a 7.9% increase from the 2021-23 Legislatively Approved Budget and includes 220 positions (212.20 FTE).

State and Local Government Financial Services

Through the State and Local Government Financial Services programs, OST provides financial tools and services to state entities, public universities and related university entities, and local governments through two primary programs. The Cash Management Program provides banking and short-term investment services to all state agencies and most public universities, as well as a narrower set of services to local governments. The Debt Management Program provides oversight, sale coordination, and compliance and reporting services for the issuance of all bonds for state agencies and public universities.

The Subcommittee recommended a budget for the State and Local Government Financial Services of \$20,734,083 Other Funds expenditure limitation and 32 positions (31.68 FTE). The recommended budget includes the following package:

Package 103: Capacity & Resilience: Government Services. This package increases Other Funds expenditure limitation by \$1,089,588 for the establishment of four permanent full-time positions (3.68 FTE) to assist with OST's daily operational and long-term strategic needs of its State and Local Government Financial Services stakeholders by hiring, training, and deploying subject matter experts to better support critical banking, cash, and debt management programs. The package includes \$835,659 for personal services and \$253,929 for associated services and supplies costs. Included are three Operations and Policy Analyst 3 positions and one Program Analyst 2, the details of which are below:

- Finance Division Analyst (Operations and Policy Analyst 3, 0.92 FTE) is permanently established to support strategy, policy, legislative, contracting, communications, and other administrative activities related to current-state and modernization activities.
- Business Analyst (Operations and Policy Analyst 3, 0.92 FTE) is permanently established to broadly support activities related to both current-state and modernization activities for Treasury and its customers, partners, and stakeholders.
- Business Continuity Analyst (Operations and Policy Analyst 3, 0.92 FTE) is permanently established to focus specifically on ongoing business continuity and resiliency efforts for banking and cash management activities.

- Debt Research and Data Analyst (Program Analyst 2, 0.92 FTE) is permanently established to support the local debt verification process and provide research to support the Division's critical need for relevant and timely data for disclosure and State Debt Policy Advisory Commission and Municipal Debt Advisory Commission reports

Public Savings Services

The Public Savings Services program, through the Oregon Treasury Savings Network, offers a suite of programs to help Oregonians save for education, retirement, and disability-related expenses. The Oregon Treasury Savings Network consists of the following three programs: (a) Oregon 529 College Savings Program, a state-sponsored, tax advantaged savings program for qualified expenses at any accredited, post-secondary institution, trade school, or registered apprenticeship; (b) the Oregon 529 ABLE Program, which helps people with disabilities and their families save without being disqualified from their state and federal benefits; and (c) the OregonSaves program, a new state-sponsored retirement savings program where employees without access to an employer-sponsored retirement plan are auto-enrolled and contribute part of their paychecks to personal IRAs that stay with them throughout their careers.

The Subcommittee recommended a budget of \$11,773,776 Other Funds expenditure limitation and nine positions (9.00 FTE). The recommended budget includes the following package:

Package 070: Revenue Shortfalls. This package reduces Other Funds expenditure limitation by \$2,195,466 to reflect the current patterns of spending and revenue for the OregonSaves and ABLE programs as expenses have been substantially less than budgeted when the programs were implemented in 2017 and late 2016, respectively.

Investment Services

The Oregon Investment Council (OIC) is the policymaking body that sets investment policy, asset allocation, benchmark return targets, and makes portfolio decisions on investment purchases and sales. OST is responsible for implementing the investment decisions of the OIC. By statute, the State Treasurer is the investment officer for OIC. Under the leadership of the Treasurer and oversight of the OIC, the Investment Services program manages the majority of Oregon's investment assets, which includes the Oregon Public Employees Retirement Fund, Oregon Common School Fund, Oregon Short Term Fund, and the Oregon Savings Growth Plan.

The Subcommittee recommended a budget of \$48,914,283 Other Funds expenditure limitation and 72 positions (71.76 FTE). The recommended budget includes the following packages:

Package 104: Portfolio Governance: Investments. This package increases Other Funds expenditure limitation by \$391,225 to establish one permanent full-time Senior Investment Analyst (0.92 FTE). This position will assist with the oversight of the state's pension and non-pension assets managed by Investment Services. The breakdown of the position is \$324,969 for personal services and \$66,256 for associated services and supplies costs.

Package 105: Internal Controls & Support: Legal. This package increases Other Funds expenditure limitation by \$861,272 to establish two permanent Associate General Counsel positions, 0.92 FTE each, to assist with the increasing workload in the Legal & Compliance Division. The Legal & Compliance Division's workload exceeds the capacity of existing legal staff, requiring the agency to hire outside law firms at a significantly higher cost. The additional positions will allow more of the work currently being done by outside firms to be brought "in house". The package includes \$726,928 for personal services and \$134,344 for associated services and supplies costs.

Trust Property Services

The Trust Property program was transferred from the Department of State Lands (DSL) to Treasury through Senate Bill 454 in the 2019 Legislative Session. The program administers the Unclaimed Property program for the state and protects the rights of owners forever or until they can claim their funds and the program serves as the estate administrator for Oregonians who die without a will or known heir. The Unclaimed Property program is a national program that offers consumers a central location to search for property that may be unclaimed or abandoned, including dormant bank accounts, securities, wages, and credit balances. Businesses and institutions that have unclaimed property are required to report and remit the assets to the state, which are held in the Common School Fund until claimed by owners or their heirs. The Estates and Escheated Property program is responsible for handling the affairs of individuals who die without a will or known heirs, including making funeral arrangements, providing property notices, identifying assets and creditors, paying bills, searching for heirs, and reviewing and validating heirship claims. If no heirs come forward 10 years from the date of death, the value of estates permanently escheats to the Common School Fund.

The Subcommittee recommended a budget of \$9,799,045 Other Funds expenditure limitation, \$2,900,000 Other Funds Nonlimited, and 21 positions (20.84 FTE). The recommended budget includes the following packages:

Package 081: June 2022 Emergency Board. This package increases Other Funds expenditure limitation by \$340,592 and increases the FTE for one manager position from 0.25 FTE to 1.00 FTE related to the transfer of the Trust Property program from DSL to OST. In addition, three other positions were reclassified upward.

Package 102: Performance & Services Imps.: Trust Property. This package increases Other Funds expenditure limitation by \$464,846 and establishes two positions (1.84 FTE). The package includes \$339,762 for personal services and \$125,084 for associated services and supplies costs for the following:

- Outreach Coordinator (Public Affairs Specialist 1, 0.92 FTE) is permanently established to raise awareness of the unclaimed property program with businesses who may not be properly reporting held property. The position will actively promote the division to its many stakeholders and ensure that the programs meet statutory outreach and promotion requirements.

- Estates Coordinator (Program Analyst 1, 0.92 FTE) is permanently established to provide additional capacity in responding to estate cases timely. The position will enable Treasury to deploy two estates teams concurrently, to better safeguard Oregonians' assets and reduce litigation risk.

Administrative Services

Administrative Services supports OST by providing overall support and leadership including Shared Services, which includes: Human Resources, Internal Audit, Budget and Accounting, Procurement, Facilities, Project Management, and Continuity of Operations; Information Technology Services, which includes Information Security, Technical Services, Infrastructure Services, and Application Development; and State Treasury Staff, which includes Policy Support, Legislative Liaison, Communications, Constituent Services and Stakeholder Engagement.

The Subcommittee recommended a budget of \$37,502,399 Other Funds expenditure limitation and 86 positions (78.92 FTE). The recommended budget includes the following packages:

Package 081: June 2022 Emergency Board. This package increases Other Funds expenditure limitation by \$99,302 to increase one accountant position from 0.50 FTE to 1.00 FTE on a permanent basis as approved at the June 2022 meeting of the Emergency Board. This position supports the Trust Property program area.

Package 101: Ready, Resilient Operations: IT. This package increases Other Funds expenditure limitation by \$691,563 and establishes two positions (1.84 FTE). Currently, Treasury is not compliant with financial industry best practices for IT leadership staffing and this package helps address the deficiencies by filling a management gap. The package includes \$561,421 for personal services and \$130,142 for associated services and supplies costs for the following:

- Deputy Chief Information Officer (Chief Information Manager 3, 0.92 FTE) is permanently established to help lead Treasury's Information Technology Unit. The Deputy's division wide responsibility will require broad knowledge of the entire IT organization. This will provide coverage and direction when the Chief Information Officer (CIO) is out of office and be crucial in times of transition with the CIO role.
- Application Security Analyst (Information Systems Specialist 8, 0.92 FTE) is permanently established. This position will be responsible for integrating cybersecurity processes and practices into all phases of the application development life cycle.
- Reclassifies the Chief Information Officer (CIO) from a Chief Information Manager 3 to Chief Information Administrator 1. The rating for the Deputy Chief Information Officer role came back at the same level as the CIO, so the agency believes it makes sense to upgrade the role in response. This impact is \$10,973 for personal services and no impact on services and supplies costs.

Package 103: Capacity & Resilience: Government Services. This package increases Other Funds expenditure limitation by \$232,363 and establishes one position (0.92 FTE) for a Computer Operator (Information Systems Specialist 3). The role will support critical daily and ongoing banking activities in support of banking operations programs. The package includes \$169,803 for personal services and \$62,560 for associated services and supplies costs.

Summary of Performance Measure Action

See attached Legislatively Adopted 2023-25 Key Performance Measures form.

PRELIMINARY

DETAIL OF JOINT COMMITTEE ON WAYS AND MEANS ACTION

Office of the State Treasurer
Alicia Michelson - (971) 209-9217

DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE		
			LIMITED	NONLIMITED	LIMITED	NONLIMITED					
2021-23 Legislatively Approved Budget at Jan 2023 *	\$	- \$	- \$	119,107,730	\$ 2,900,000	\$	- \$	- \$	122,007,730	210	200.95
2023-25 Current Service Level (CSL)*	\$	- \$	- \$	126,748,301	\$ 2,900,000	\$	- \$	- \$	129,648,301	208	199.91
SUBCOMMITTEE ADJUSTMENTS (from CSL)											
SCR 17000-010 State and Local Government Financial Services											
Package 103: Capacity & Resilience: Government Services											
Personal Services	\$	- \$	- \$	835,659	\$	- \$	- \$	- \$	835,659	4	3.68
Services and Supplies	\$	- \$	- \$	253,929	\$	- \$	- \$	- \$	253,929		
SCR 17000-020 Public Savings Services											
Package 070: Revenue Shortfalls											
Services and Supplies	\$	- \$	- \$	(2,195,466)	\$	- \$	- \$	- \$	(2,195,466)	0	0.00
SCR 17000-030 Investment Services											
Package 104: Portfolio Governance: Investments											
Personal Services	\$	- \$	- \$	324,969	\$	- \$	- \$	- \$	324,969	1	0.92
Services and Supplies	\$	- \$	- \$	66,256	\$	- \$	- \$	- \$	66,256		
Package 105: Internal Controls & Support: Legal											
Personal Services	\$	- \$	- \$	726,928	\$	- \$	- \$	- \$	726,928	2	1.84
Services and Supplies	\$	- \$	- \$	134,344	\$	- \$	- \$	- \$	134,344		
SCR 17000-040 Trust Property Services											
Package 081: June 2022 Emergency Board											
Personal Services	\$	- \$	- \$	340,592	\$	- \$	- \$	- \$	340,592	0	0.75
Package 102: Performance & Service Imps.: Trust Property											
Personal Services	\$	- \$	- \$	339,762	\$	- \$	- \$	- \$	339,762	2	1.84
Services and Supplies	\$	- \$	- \$	125,084	\$	- \$	- \$	- \$	125,084		
SCR 17000-070 Administrative Services											
Package 081: June 2022 Emergency Board											
Personal Services	\$	- \$	- \$	99,302	\$	- \$	- \$	- \$	99,302	0	0.50
Package 101: Ready, Resilient Operations: IT											
Personal Services	\$	- \$	- \$	561,421	\$	- \$	- \$	- \$	561,421	2	1.84
Services and Supplies	\$	- \$	- \$	130,142	\$	- \$	- \$	- \$	130,142		

Package 103: Capacity & Resilience: Government Services

Personal Services	\$	-	\$	-	\$	169,803	\$	-	\$	-	\$	-	\$	169,803	1	0.92
Services and Supplies	\$	-	\$	-	\$	62,560	\$	-	\$	-	\$	-	\$	62,560		
TOTAL ADJUSTMENTS	\$	-	\$	-	\$	1,975,285	\$	-	\$	-	\$	-	\$	1,975,285	12	12.29
SUBCOMMITTEE RECOMMENDATION *	\$	-	\$	-	\$	128,723,586	\$	2,900,000	\$	-	\$	-	\$	131,623,586	220	212.20

% Change from 2021-23 Leg Approved Budget	0.0%	0.0%	8.1%	0.0%	0.0%	0.0%	7.9%	4.8%	5.6%
% Change from 2023-25 Current Service Level	0.0%	0.0%	1.6%	0.0%	0.0%	0.0%	1.5%	5.8%	6.1%

*Excludes Capital Construction Expenditures

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Legislatively Approved 2023 - 2025 Key Performance Measures

Published: 6/1/2023 11:20:08 AM

Agency: State Treasurer

Mission Statement:

Improving Oregon Governments' and citizens' financial capabilities.

Legislatively Approved KPMs	Metrics	Agency Request	Last Reported Result	Target 2024	Target 2025
1. Oregon Public Employees Retirement Fund Net Performance - Historical 20-year Net Performance compared to target returns.		Approved	8.33%	7.66%	7.60%
2A. Oregon Short-Term Fund Expenses - Biennial asset management fee charged against Oregon Short-Term Fund assets for Treasury operations compared to peer group.		Approved	0.052%	0.130%	0.130%
2B. Oregon Short-Term Fund Performance - Annual performance of the Oregon Short-Term Fund compared to benchmark rates.		Approved	-0.76%	2.50%	2.50%
3. Local Government Participation in the Oregon Short-Term Fund - Annual change in the participation of local governments in the Oregon Short-Term Fund.		Approved	0.87%	0%	0%
4. Tax-exempt general obligation bond interest rates. - Average interest rate on tax-exempt general obligation bonds issued as compared to targets.		Approved	3.35%	5.50%	5.50%
5. Percentage of eligible Oregonians with a College Savings Account - The total number of 529 college savings accounts as a percentage of the total eligible population in Oregon compared to the national average.		Approved	12.10%	10%	10%
6A. Unclaimed Property Disbursements - Percentage of total unclaimed property returned to owners and/or heirs compared to total amount received.		Approved	34%	50%	50%
6B. Unclaimed Property Claim Response Time - Average number of days to respond to Unclaimed Property claims as compared to statutory maximum.		Approved	316	120	120
7. Adherence to Board Best Practices - Percent of total best practices met by the Oregon 529 Savings Board and Oregon Retirement Savings Board.		Approved	89%	100%	100%
8. Customer Service - Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall customer service, timeliness, accuracy, helpfulness, expertise and availability of information.	Accuracy	Approved	90%	100%	100%
	Timeliness		88%	100%	100%
	Availability of Information		64%	100%	100%
	Expertise		84%	100%	100%
	Helpfulness		83%	100%	100%
	Overall		84%	100%	100%

LFO Recommendation:

The Legislative Fiscal Office recommends approval the Key Performance Measures and targets.

SubCommittee Action:

The General Government Subcommittee approved the key performance measures and targets.