

# ROBERT SPRAGUE

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OHIO TREASURER

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**Executive Budget Testimony**  
**Jody Foltyn, Chief of Staff for Ohio Treasurer Robert Sprague**  
**Wednesday, March 27, 2019**

Good morning Chairman Carfagna, Ranking Member Sweeney, and members of the House Finance subcommittee on Higher Education. My name is Jody Foltyn and I serve as Chief of Staff for Ohio Treasurer Robert Sprague. Thank you for allowing me to outline our office's biennial budget request.

The Treasurer's office manages state revenue, provides for its investment, and serves as the custodian of public assets. The office also issues bonds on behalf of the state and ensures timely payment of principal and interest. Additionally, our office provides continuing education for public funds managers and provides local governments safe investment alternatives through the State Treasury Asset Reserve of Ohio (STAR Ohio) investment pool and the STAR Plus program.

The Treasurer's office possesses a wealth of institutional knowledge and operational excellence. Upon entering office, Treasurer Sprague asked his leadership team to evaluate current operations in order to identify opportunities for new efficiencies. That process is ongoing, but one example of an idea that was brought forth and accepted was the consolidation of two leadership positions overseeing investments and debt management. This consolidation ensures that the State's financial assets and liabilities – both sides of its balance sheet – are considered when investments are made or debt is incurred. I am sharing this with the committee as it illustrates our office's willingness to evolve.

Treasurer Sprague is committed to continuously evaluating the operations and functions of our office to ensure we are effectively protecting tax dollars and securing a firm financial footing for Ohio's future.

## **Treasurer's Office Budget Request Overview**

The Treasurer of State's total budget request, including General Revenue Funds (GRF), Dedicated Purpose Funds and Fiduciary Funds is \$46.1 million for fiscal year 2020 and is \$33.3 million for fiscal year 2021. This proposal includes flat funding of \$11.5 million for our GRF funding levels.

Five GRF line items support operation of the Treasurer's Office. Those line items support administrative and operating expenses, the Office of the Sinking Fund, continuing education programs for local government fiscal agents, and administration of STABLE accounts. Six dedicated purpose fund line items also support operations of the Treasurer's office. These fund groups include a variety of funding sources, such as income generated through the securities lending program and administration fees collected through the StarOhio and Ohio Pooled Collateral programs.

Let me first start with an overview of each of our line items and how they are utilized before taking some time to speak to some of the office's initiatives.

## **General Revenue Fund Support**

**Operating Expenses** – This line item funds staff payroll and benefits, as well as maintenance, equipment costs, and other operational expenses.

**Treasury Management System Lease Rental Payments** – This line item funds principal and interest payments used to finance the acquisition and implementation of the Treasury Management System. In 2015, the establishment of the new system modernized the Treasurer’s Office’s infrastructure for accounting, investing, revenue management, and debt.

**The Office of the Sinking Fund** – These funds cover payroll costs and expenses involved with the issuance and administration of state bonds.

**Continuing Education** – The Center for Public Investment Management (CPIM) provides statutorily required financial education to public funds managers. CPIM has seen considerable growth in recent years, with its online course library currently offering 17 classes. Additionally, the launch of MyCPIM, an efficient online portal, has eliminated the manual processing of course documentation.

**STABLE Account Administration** - STABLE Accounts are investment accounts available to individuals living with disabilities. The accounts were made possible by the federal Achieving a Better Life Experience (“ABLE”) Act and House Bill 155 of the 131st General Assembly.

STABLE empowers participants to save and invest money without losing eligibility for certain benefits like Medicaid and SSI. Earnings in a STABLE Account are not subject to federal income tax, so long as they are spent on qualified disability expenses.

Ohio is the national leader for its work related to the ABLE act, and the Ohio-based STABLE accounts are available to eligible individuals nationwide. Because of the hard work and dedication of our STABLE staff, who are supported in part by money provided for in this line item, fees for Ohio account holders are among the lowest in the country.

### **Dedicated Purpose Fund Items**

**Securities Lending Income** – These funds generally supplement GRF funding that cover Treasury expenses, including payroll and operating expenses. 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.

It is important to note that while we are requesting an increase in spending authority from this dedicated purpose fund, there is a cash balance and an ongoing revenue stream sufficient to responsibly do so. Upon taking office, it became evident this request was necessary when we evaluated obligations for cost of living increases, longevity increases, contractual step increases and contractual increases in the employer cost for employee benefits. Furthermore, this request will allow the office to sustain current programs, while the new administration continues its thorough assessment of those programs’ effectiveness and seeks to achieve greater efficiencies.

**Political Subdivision Obligation** - This helps fund the Ohio Market Access Program (OMAP), which is a credit enhancement program offered through the Treasurer's office that is designed to lower borrowing cost on short-term notes issued by Ohio schools, cities, and local governments. The revenue stream for this fund comes from a reasonable fee paid by political subdivisions who utilize the program.

**Investment Pool Reimbursement** – This line item funds costs incurred for administering the STAR Ohio program. STAR Ohio allows Ohio local governments to invest funds in this highest rated public

investment pool. This line item is funded by administrative fees charged to the investment pool. Nearly 1,600 entities in Ohio choose to invest their funds in STAR Ohio, which maintains an AAA rating from Standard & Poor's.

**Treasurer of State Administrative Fund** – These funds come from fees charged to entities receiving custodial services from the Treasurer's Office, as well as fees collected through the Ohio Pooled Collateral Program. The Treasury collects fees for providing custodial services for the state's retirement systems, the Bureau of Workers' Compensation, and Department of Jobs and Family Services. The funds are used for the administration of those functions within the office.

**County Treasurer Education** – In addition to the GRF support we receive to operate the Center for Public Investment Management, we also generate revenue through registration fees charged to local financial officers that utilize the program. This appropriation was increased in FY 18-19 to support a new online application to make CPIM content more accessible. With the application's build-out complete, this appropriation is now being reduced for FY 20-21.

**OhioMeansJobs Workforce Development** – This program provides loans to Ohioans to encourage workforce development and job growth through educational training in programs related to growing employment fields. Our office serves as the program's loan issuer and the Ohio Department of Higher Education determines which institutions are eligible for the program.

### **Fiduciary Funds**

**Tax Refunds** - The Treasurer's office handles the collection of premium taxes for the Ohio Department of Insurance. This fund is used to issue refunds in the event the Department of Insurance determines an insurance company has overpaid its tax liability.

### **Other Budgets under the Treasury**

**Board of Deposit** –Comprised of the Treasurer of State, Auditor of State and Attorney General, the panel is tasked with designating qualified financial institutions as state depositories, monitoring state deposits, approving payment of service charges, and providing oversight of state investments. The Board is requesting \$1,876,000 for each year of the biennium. The requested funding will cover banking and custody expenses.

**Pension Subsidy** – This appropriation is to support several Ohio Police and Fire Retirement System funds, including the Police and Fire Death Benefits fund. Although these funds are administered by the Office of the Treasurer, they are not spent by the Treasurer's Office on agency operations. GRF funding for fiscal year 2020 is \$33.8 million and \$34.1 million for fiscal year 2021.

Now that I have covered the various funding line items associated with our office's budget request, I'll speak to some of Treasurer Sprague's key initiatives.

### **Treasury Initiatives**

**ResultsOHIO** – Just yesterday, the Treasurer announced his plan to establish a consistent and transparent method for issuing pay for success contracts. House and Senate legislation will be introduced to create the ResultsOHIO fund within the Treasury.

Crises like infant mortality, and addiction have devastated our communities, costing thousands of lives and billions of dollars for healthcare, foster care, jails, and other services. Too often when addressing these problems, we pay for services – not results. By leveraging private sector resources and ingenuity through innovative investment approaches, we can ensure Ohio’s money is used to improve outcomes and save lives.

Under ResultsOHIO, the role of the Treasurer is two-fold. First, the initiative establishes an independent fund where state and local governments can appropriate dollars specifically for backing pay for success contracts. Second, the Treasurer’s office serves as an independent facilitator and fiscal agent for issuing contracts based on policymaker objectives. This latter component ensures that independent and transparent data validation of successful outcomes can take place.

The effective stewardship and investment of public money are cornerstones of the Treasury. Applying those principles to a pay for success model will create confidence among private sector investors and taxpayers alike.

**STABLE** – As mentioned earlier, Ohio’s STABLE Accounts have been recognized for effectively empowering individuals with disabilities. Treasurer Sprague remains committed to the program and was recently appointed Vice Chair of the National Association of State Treasurers’ ABLE Committee.

As the administrator of STABLE Accounts in 11 other states, Ohio has reached total account levels that have enabled us to drive down costs for Ohioans and champion policies that directly benefit individuals living with disabilities.

Treasurer Sprague has bold plans for STABLE Accounts and is committed to increasing awareness of the program. In the coming months, Treasurer Sprague will announce innovative partnerships for both the public and private sector to become more engaged with the STABLE program.

**Ohio Checkbook** – The OhioCheckbook.com tracks expenditures at the state and local levels to provide taxpayers with greater transparency in government. Today, 78% of Ohioans have a window in to local government spending at the county level and thousands more can drill down even further to their home communities. Treasurer Sprague knows that the checkbook is a good government tool and has continued to actively update state data and onboard more local government partners.

Looking ahead, the Treasurer’s office is focused on identifying program improvements and operational efficiencies that drive down costs and create better user experience for both taxpayers and local governments. As part of this effort, the office will embark on a listening tour to learn more about the experiences local governments have had in pursuing the Ohio Checkbook.

Again, Mr. Chairman and members of the committees, thank you for inviting me to be here today. I am happy to answer any questions you may have.