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OHIO TREASURER

**Testimony – FY 22-23 State Operating Budget
House Finance Subcommittee on Higher Education
Ohio Treasurer Robert Sprague
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Chairman Cross, Ranking Member Howse, and members of the House Finance subcommittee on Higher Education. Thank you for allowing me to outline our office's biennial budget request.

As the state's banker and chief investment officer, the Treasurer's office manages state revenue, provides for its investment, and serves as the custodian of public financial assets. The office also issues bonds on behalf of the state and ensures timely payment of principal and interest. Additionally, the Treasurer's office administers numerous programs that support local governments, state policymakers, and Ohioans.

Five General Revenue Fund (GRF) line items and six Dedicated Purpose Fund line items support the administration and operation of the Treasurer's office. Our budget request also includes a Fiduciary Fund and two budgets that we administer on behalf of other entities. For purposes of today's testimony, I'll start with an overview of our budget request and then touch on some of the office's initiatives.

Budget Request Overview

As you know, the onset of COVID-19 resulted in mid-fiscal year revisions to state agency budgets. While not required of us as an independently elected executive office, we voluntarily complied and reduced costs in an effort to redirect GRF dollars to the greatest and most immediate needs facing Ohio. Because of fiscally responsible actions taken early in my administration, we were able to quickly return nearly \$500,000 to the GRF last March without backfilling our budget with other revenue. Additionally, the Treasurer's office voluntarily set aside 20% of its nonpayroll GRF into a holding account for FY 2021 and implemented other cost containment measures as the pandemic progressed.

This budget request contains flat funding of the office's Dedicated Purpose Funds and a reduction in GRF (from our fiscal year 2021 appropriation) in an amount equal to 20% of our agency-controlled nonpayroll GRF. The reduced budget request absorbs projected cost of living adjustments, longevity increases, contractual step increases, contractual increases in the employer cost for employee benefits, and agency chargeback fees.

The total budget request for the Treasurer's office -- including GRF, Dedicated Purpose Funds and Fiduciary Funds -- is \$33.4 million annually in both FY 2022 and 2023.

Increasing Efficiency, Transparency, and Sustainability

Upon entering office, my administration began evaluating internal operations to identify areas for improvement. While that process is ongoing, it has already resulted in several strategic reforms that have enhanced the overall efficiency, transparency, and sustainability of our office's operations. Today, I'd like to highlight just a few of these improvements and the impacts they have made.

OhioCheckbook.gov

In 2019, the Treasurer's office partnered with Lt. Governor Husted and the Office of Budget and Management to reimagine the Ohio Checkbook and ensure government transparency remains at Ohio's fingertips. The collaboration resulted in the new and much-improved OhioCheckbook.gov. Today, the

website not only includes spending data from hundreds of local governments across Ohio, but also features state revenue and expenditure information that is updated daily.

It's not often that separate government offices play well together in the sandbox. But when that happens, the people are better served. Most importantly, the Ohio Checkbook partnership has eliminated duplication, created greater efficiency, and cut overall operating costs.

STAR Plus

Last month, we notified local government participants in the STAR Plus program that the Treasurer's office will no longer endorse the program as the preferred FDIC-insured deposit product for STAR Ohio participants. For those of you unfamiliar with STAR Ohio and STAR Plus, let me first make clear that there is a critical difference in the structure between the two programs.

STAR Ohio is a long-standing Local Government Investment Pool that allows government subdivisions to invest in high-grade, short-term securities while offering safety, penalty-free liquidity, and comparatively higher yield. The Treasurer's office serves as both the Administrator and Investment Advisor for STAR Ohio.

STAR Plus, on the other hand, is a white-labeled version of a privately managed FDIC-insured deposit product. Unlike STAR Ohio, STAR Plus is not – and has never been -- administered or managed by the Treasurer's office. Rather, in 2012, the Treasurer's office began endorsing the private product and promoting its availability to STAR Ohio participants, who were permitted exclusive access to it.

Following a thorough review of STAR Plus, our office determined that numerous products similar to STAR Plus are available in the private market. Therefore, it does not make sense for a government office to endorse any one private product over another.

While the STAR Plus endorsement is going away, you can rest assured that the STAR Ohio investment pool will continue to serve as a trusted and reliable investment option for Ohio's local governments.

Modernization of Operations

In recent years, technology has greatly changed every day banking services. Paper checks and cash are being replaced by electronic transactions and credit cards. ATMs and mobile apps have reduced the need to stand in a teller line. The same holds true for the Treasurer's office, as our cashier window in the Rhodes Tower has continuously witnessed a steady decline in traffic.

As a result, we officially closed the cashier window on December 31 of last year. This action not only brought the Treasurer's office into alignment with contemporary financial operations and trending indicators nationwide, but it also prevented costly investments needed to replace an antiquated check scanning system and other aging technology.

Technological Advancements and Upgrades

Since 2019, the Treasurer's office has made strategic IT investments to migrate applications to modernized systems and implement new methodologies and technologies.

We are becoming less reliant on outside contractors and the staff has found new energy through training, realignment based on skill sets, and team assignments. Additionally, our office's transition to

teleworking was relatively seamless, as IT Services had already implemented VMWare that enables remote access to desktop computers and Microsoft Teams for virtual conferencing.

Finally, a series of recently completed IT projects have enhanced customer service and increased efficiency. These have included the launch of TMS Connect which allows cabinet agencies and statewide officeholders to process custodial account transactions through an online portal and the Linked Deposit application portal, which supports several economic development programs like Ag-LINK and Eco-Link, allowing applications to be submitted electronically.

Bold Innovation – Treasurer’s Office Initiatives

Due to the nature of our work, it is imperative that we avoid complacency and always look for new ways to innovate and re-think how we conduct business. Here are just a few examples of ways our office has stayed on the cutting-edge and acted in a bold and creative manner to serve Ohio:

Buckeye Tobacco Bonds Refinancing

Last March, in our capacity as a member of the Buckeye Tobacco Settlement Financing Authority, the Treasurer’s office led an effort to refinance \$5.2 billion of tobacco settlement asset-backed bonds. By taking advantage of a record-low interest rate environment, we created a more resilient bond structure that preserves the opportunity for Ohio to benefit further from the original settlement in coming years.

The deal even garnered national attention late last year, as *The Bond Buyer* newspaper named it the “Midwest Deal of the Year.”

Student Centric

Earlier this month, the Treasurer’s office sold student loan portfolios that were acquired by the state in the early to mid-2000s under the Ohio Centric Loan Program. In executing the sale, we were able to access equity that had accumulated in the program. Our office will use the funds to pay off the remaining bonds that were originally issued to finance the loan purchase and extract approximately \$8.3 million for the state.

STABLE Account

Administered by the Treasurer’s office, STABLE Accounts are 529-like specialized savings and investment accounts for people living with disabilities. The program allows individuals with disabilities to work, save, and live more independently without losing means-tested benefits such as Medicaid or Supplemental Security Income.

In less than two years, our Administration has worked to double overall program participation, and today more than 21,000 individuals are being empowered through STABLE Account. This is a testament to the hard work of our staff, who work closely with the advocate community to spread the word about the program.

I’d like to thank the General Assembly for its continued support of the STABLE Account program through a GRF line item. These valuable resources help ensure people living with disabilities have continued access to STABLE Accounts and fees for Ohio account holders remain among the lowest in the country.

ResultsOHIO

ResultsOHIO is a new program within the Treasurer’s office that draws on bold new ideas from the private sector to help solve significant and persistent problems in the public sector. For many of our

state's challenges, a pay for success approach can provide a path for innovative strategies to make a real impact on the lives of Ohioans.

Following last fall's initial application period, we recently announced the first projects to be deemed "Pay for Success Appropriate and Ready." This designation, and the corresponding Feasibility Report issued by our office to an applicant, serves as a "seal of approval" for a project, validating its ability to be launched under a pay for success framework should the project earn your support.

My office is committed to helping you and your staff fully understand the ResultsOHIO process and the benefits of a pay for success approach. With that said, I welcome you to reach out to us at any time should you have questions about the initiative or the projects that received a Feasibility Report.

As we search for new ways to combat complex and persistent challenges, ResultsOHIO gives us an avenue to do things differently – to be bold – and put innovative ideas to the test. The Feasibility Reports are a significant step toward seeing innovative pay for success projects take root in Ohio, but it is now up to you – as policymakers – to decide whether the projects are funded.

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