

State of Alaska FY2003 Governor's Operating Budget

Department of Revenue Treasury Management Component Budget Summary

Component: Treasury Management

Contact: Betty Martin, Comptroller

Tel: (907) 465-2352 **Fax:** (907) 465-2394 **E-mail:** Betty_Martin@revenue.state.ak.us

Component Mission

The mission of the Treasury Division is to manage the state's funds consistent with prudent investment guidelines and Governmental Accounting Standards Board (GASB) rules.

Component Services Provided

1. Manage the investments of state funds under the fiduciary responsibility of the commissioner of Revenue, or as requested by other fiduciaries:
 - General Fund
 - International Airports Bond Funds
 - International Airports Construction Funds
 - Constitutional Budget Reserve Fund
 - Student Loan Bond Funds
 - Alaska Children's Trust
 - Exxon Valdez Oil Spill Trust Fund
 - Power Cost Equalization Endowment Fund
 - Public School Trust Fund
 - Retiree Health Insurance Fund
 - University of Alaska Trust Fund
2. Provide cash management and investment advice and services to all state agencies.
3. Provided capital financing advice and services to state agencies upon request.
4. Provide staff to the Alaska State Pension Investment Board, the State Bond Committee and the Alaska Municipal Bond Bank Authority.

Component Goals and Strategies

1. Maximize the rate of return on investment portfolios consistent with statutes and fiduciary standards without incurring undue risks.
 - Manage the funds in accordance with the stated asset allocation objectives and constraints.
 - Meet or exceed established investment benchmarks over the appropriate time horizon.
 - Minimize uninvested cash through the automation of the collection and deposit of state receipts.
 - Increase use of technology to make processes more efficient.
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2. Accurately and efficiently monitor, collect, and disburse cash receipts.
 - Develop an automated payment mechanism to assist state agencies in receiving remittances and related payment information.
 - Assist state agencies with their conversion to electronic remittances of revenues and related information.
 - Advise state agencies in reviewing their existing cash management procedures and improving cash handling processes.
3. Issue and manage state debt at minimum costs to the state.
 - Issue debt for capital financing and pursue refinancing opportunities to reduce interest costs when feasible.
 - Keep rating agencies informed about Alaska in order to maintain the state's bond rating.
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4. Safeguard and monitor the invested assets of the state.
 - Issue accurate and timely financial reports.
 - Monitor compliance with established internal controls and policies.

Key Component Issues for FY2002 – 2003

- Key issues for cash management relate to Alaska's geographical dispersion of population and the difficulty of access to communities, which, because it makes traditional paper-based transactions problematic, puts a premium on technologies that do not rely on traditional forms of transportation. Accordingly, Treasury is involved in the development of cutting-edge technology for cash management, which requires effort and time to reach the desired goal. Primary key issues for portfolio management include dealing with the financial and economic turmoil caused by the terrorist attacks of September 11 as well as managing investment risk in the current low interest rate environment. A key issue for the state comptroller will be implementation of a holder compliance program for unclaimed property.

Major Component Accomplishments in 2001

- The following funds exceeded their benchmarks in 2001: the General Fund, the Alaska Children's Trust, the CBRF, the Exxon Valdez Oil Spill Trust Fund, the Retiree Health Insurance Long-term Care and Major Medical Funds, the Public School Trust, and the International Airports Revenue and Construction Funds.
- Implemented a securities lending program that should return \$1,500,000 per year to the various funds Treasury manages.
- Issued ACH origination contract to allow for both disbursements and collection of funds electronically.
- Restructured account analysis with Keybank to consolidate all contracts under a single fee schedule, resulting in an automated account analysis, and a savings to the state in excess of \$20,000.
- Performed analysis, and extensive testing of upgraded system to report state receipts and disbursements to DOA's accounting system.
- Assisted ACPE in the implementation of electronic payments to selected universities.
- Added several new locations to existing credit card contract.
- Implemented a master lease program to allow tax-exempt financing of smaller purchases that were previously financed at taxable rates or purchased.
- Facilitated a \$9 million lease purchase transaction for DOT statewide equipment fleet.
- Issued \$2.33 million in Bond Anticipation Notes for the Clean Water and Drinking Water Funds.

Statutory and Regulatory Authority

AS 14.25.180
AS 14.40.400
AS 14.40.803-805
AS 18.26
AS 18.56.110
AS 37.05.200
AS 37.10
AS 37.10.050
AS 37.10.060
AS 37.10.070-.075
AS 37.12
AS 37.15
AS 39.30.155
AS 39.35.080

AS 43.05.150
AS 43.05.170
AS 43.05.180
AS 44.25.020

Treasury Management
Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	2,245.4	2,452.6	2,750.5
72000 Travel	29.0	43.6	23.6
73000 Contractual	974.3	934.8	759.8
74000 Supplies	7.9	17.5	17.5
75000 Equipment	17.5	15.1	15.1
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	3,274.1	3,463.6	3,566.5
Funding Sources:			
1001 Constitutional Budget Reserve Fund	121.7	125.0	0.0
1004 General Fund Receipts	1,218.5	1,156.3	1,157.6
1005 General Fund/Program Receipts	0.0	161.4	188.9
1007 Inter-Agency Receipts	1,663.9	1,583.6	1,759.0
1011 Alaska Advance College Tuition Payment Fund	21.2	28.5	0.0
1027 International Airport Revenue Fund	31.3	31.6	38.6
1046 Student Revolving Loan Fund	22.2	22.5	27.2
1053 Investment Loss Trust Fund	31.8	17.6	22.4
1066 Public School Fund	57.2	154.6	164.2
1089 Power Cost Equalization Fund	23.0	86.1	0.0
1098 Children's Trust Fund Earnings	34.3	43.2	52.7
1142 Retiree Health Ins Fund/Major Medical	17.5	19.9	23.4
1143 Retiree Health Ins Fund/Long-Term Care Fund	31.5	33.3	36.8
1169 PCE Endowment Fund	0.0	0.0	95.7
Funding Totals	3,274.1	3,463.6	3,566.5

Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
Unrestricted Revenues						
Unrestricted Fund	68515	0.0	1,500.0	1,338.6	1,157.6	1,500.0
Unrestricted Total		0.0	1,500.0	1,338.6	1,157.6	1,500.0
Restricted Revenues						
Interagency Receipts	51015	1,663.9	1,583.6	1,583.6	1,759.0	1,759.0
General Fund Program Receipts	51060	0.0	161.4	161.4	188.9	188.9
Restricted Total		1,663.9	1,745.0	1,745.0	1,947.9	1,947.9

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
Total Estimated Revenues		1,663.9	3,245.0	3,083.6	3,105.5	3,447.9

Treasury Management

Proposed Changes in Levels of Service for FY2003

No anticipated service changes

Summary of Component Budget Changes
From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	1,442.7	0.0	2,020.9	3,463.6
Adjustments which will continue current level of service:				
-Year 3 Labor Costs - Net Change from FY2002	21.3	0.0	49.1	70.4
-Delete Fiscal Note funding for Bonds to Fund Public Facilities, Ch 96 SLA 2001 (HB234)	-50.0	0.0	0.0	-50.0
-Transfer funding for CBR Investment Mgt Fees to Language Section component	-125.0	0.0	0.0	-125.0
-Delete Fiscal Note funding for Kenai Private Prison, CH 32 SLA 2001 (HB149)	-20.0	0.0	0.0	-20.0
Proposed budget increases:				
-Reclass position to full time to increase collection of Unclaimed Property	27.5	0.0	0.0	27.5
-Increase investment officer salaries as per salary plan	50.0	0.0	150.0	200.0
FY2003 Governor	1,346.5	0.0	2,220.0	3,566.5

Treasury Management
Personal Services Information

	Authorized Positions		Personal Services Costs	
	<u>FY2002</u> <u>Authorized</u>	<u>FY2003</u> <u>Governor</u>		
Full-time	33	34	Annual Salaries	2,148,962
Part-time	1	0	COLA	62,472
Nonpermanent	0	0	Premium Pay	0
			Annual Benefits	631,251
			<i>Less 3.24% Vacancy Factor</i>	(92,185)
			Lump Sum Premium Pay	0
Totals	34	34	Total Personal Services	2,750,500

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accountant II	0	0	1	0	1
Accountant III	0	0	3	0	3
Accountant IV	0	0	2	0	2
Accounting Clerk II	0	0	1	0	1
Accounting Tech I	0	0	1	0	1
Accounting Tech II	0	0	2	0	2
Accounting Tech III	0	0	2	0	2
Administrative Assistant	0	0	1	0	1
Administrative Clerk III	0	0	1	0	1
Analyst/Programmer V	0	0	1	0	1
Aspib Liaison Officer	0	0	1	0	1
Assistant Investment Officer	0	0	1	0	1
Asst State Comptroller	0	0	1	0	1
Dep Commissioner	0	0	1	0	1
Loan/Collection Off II	0	0	1	0	1
Micro/Network Spec I	0	0	1	0	1
Operations Res Anl I	0	0	1	0	1
Project Coord	0	0	1	0	1
Secretary	0	0	1	0	1
State Comptroller	0	0	1	0	1
State Investment Officer I	0	0	2	0	2
State Investment Officer II	0	0	3	0	3
State Investment Officer III	0	0	3	0	3
State Investment Officer IV	0	0	1	0	1
Totals	0	0	34	0	34