

State Treasurer: The Honorable David Petersen

Analyst: Nick Klingerman

	FY 2004 Actual	FY 2005 Estimate	FY 2006 Approved
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	31.4	33.4	33.4
Personal Services	1,425,800	1,805,400	1,702,500
Employee Related Expenditures	376,200	464,200	499,800
Professional and Outside Services	246,600	131,500	131,500
Travel - In State	1,800	0	0
Travel - Out of State	2,400	0	0
Other Operating Expenditures	258,200	384,600	282,600
Equipment	267,600	0	0
OPERATING SUBTOTAL	2,578,600	2,785,700	2,616,400
SPECIAL LINE ITEMS			
Justice of the Peace Salaries	2,316,400	2,775,500	2,775,500
AGENCY TOTAL	4,895,000	5,561,200	5,391,900^{1/2/3/}

FUND SOURCES

General Fund	4,895,000	5,411,200	5,391,900
<u>Other Appropriated Funds</u>			
Capital Outlay Stabilization Fund	0	150,000	0
SUBTOTAL - Other Appropriated Funds	0	150,000	0
SUBTOTAL - Appropriated Funds	4,895,000	5,561,200	5,391,900
TOTAL - ALL SOURCES	4,895,000	5,561,200	5,391,900

AGENCY DESCRIPTION — The State Treasurer is an elected Constitutional Officer. The primary responsibilities of the office are to receive and keep custody over all monies belonging to the state that are not required to be kept by another entity, to pay warrants of the Arizona Department of Administration, and to keep an account of all monies received and disbursed. The office also invests state monies and operates the Local Government Investment Pool (LGIP) for the benefit of participating units of local government.

PERFORMANCE MEASURES

	FY 2003 Actual	FY 2004 Actual	FY 2006 Approved
• Ratio of yield of LGIP to Standard and Poor’s LGIP Index	1.6	1.7	1.7
• Ratio of yield of endowment pools to Big Bond Index	1.07	2.60	1.10
• Customer satisfaction rating for local government investment pool participants (Scale 1-8)	NA	NA	6.1

Comments: The agency did not submit information for any measure labeled as “NA.” The State Treasurer’s LGIP consistently outperforms the Standard and Poor’s LGIP Index. The agency attributes higher returns for the endowment pools, relative to the Big Bond Index, to successful cash management strategies.

^{1/} It is the intent of the Legislature that the investment management fee on monies managed by the State Treasurer be set at 8 basis points. (General Appropriation Act footnote)
^{2/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
^{3/} The State Treasurer shall submit a report to the Joint Legislative Budget Committee by August 1, 2005, regarding all 529 plans provided by the state. The report shall include, but is not limited to, the following information for each 529 plan: the number of new accounts, existing accounts and closed accounts by financial institution for the previous calendar year and the dollars under management for each, the total number of out of state and in state account holders, the annual basis points charged for account maintenance, fee schedule, maturity options and the historical return for a \$10,000 initial deposit. The report shall also highlight the costs associated with Arizona's 529 plans, relative to those available through other states. The report shall also provide data consistent with national standards, such as the college savings plan network disclosure principles, that discloses all fees and costs of the program as compared to those in other states.

Operating Budget

The budget provides \$2,616,400 from the General Fund for the operating budget in FY 2006.

The approved amount includes an increase of \$80,700 from the General Fund in FY 2006 for statewide adjustments. *(Please see the Statewide Adjustments section at the end of this Appropriations Report for details.)*

One-Time Equipment

The approved amount includes a decrease of \$(150,000) from the General Fund in FY 2006 for the elimination of one-time equipment costs associated with the implementation of Local Government Investment Pools in FY 2005.

Tenant Improvements

The approved amount includes a decrease of \$(150,000) from the Capital Outlay Stabilization Fund in FY 2006 for the elimination of one-time tenant improvement expenses in FY 2005.

Operating Expenditures

The approved amount includes an increase of \$50,000 from the General Fund in FY 2006 for operating costs including increased costs for investment resources.

Special Line Items

Justice of the Peace Salaries

The budget provides \$2,775,500 from the General Fund for Justice of the Peace Salaries in FY 2006. This amount is unchanged from FY 2005. A.R.S. § 22-117 requires the state to pay 40% of the salary for each Justice of the Peace (JP), with the county paying the remainder. In FY 2006, the Criminal Justice Budget Reconciliation Bill (Laws 2005, Chapter 300) includes a session law provision that requires the state pay 38.5% of JP Salaries in FY 2006. This provision has been in effect since FY 2003.

Other Issues

529 Plan Report

The General Appropriation Act includes a footnote that requires the State Treasurer report to the Joint Legislative Budget Committee on or before August 1, 2005 regarding all 529 Plans in the state *(Please see the footnote in the above table for reporting requirement details).*

A 529 Plan is a state sponsored savings plan that enables parents to save money, on a tax-deferred basis, for their child's college education. The Commission for Postsecondary Education oversees Arizona's 5 different 529 Plans. A study concluded that Arizona has 2 of the nation's 5 lowest-rated 529 Plans on the market. The

footnote attempts to provide more information on how 529 Plans offered by Arizona compare to other states.

The 529 Plan reporting requirement was included in the State Treasurer's budget because the State Treasurer's Office has expertise for evaluating investment plans.