

State Treasurer: The Honorable Dean Martin

Analyst: Nick Klingerman

	FY 2006 Actual	FY 2007 Estimate	FY 2008 Approved
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	33.4	33.4	34.4
Personal Services	1,562,000	1,720,500	1,869,700
Employee Related Expenditures	463,100	558,700	620,100
Professional and Outside Services	238,400	235,000	415,000
Travel - In State	1,700	1,500	1,500
Travel - Out of State	1,200	2,000	2,000
Other Operating Expenditures	249,900	292,600	359,900
Equipment	99,200	10,000	152,200
OPERATING SUBTOTAL	2,615,500	2,820,300	3,420,400
SPECIAL LINE ITEMS			
Justice of the Peace Salaries	2,362,000	2,949,000	2,230,100
AGENCY TOTAL	4,977,500	5,769,300	5,650,500^{1/2/}

FUND SOURCES

General Fund	4,977,500	5,769,300	5,616,700
<u>Other Appropriated Funds</u>			
State Treasurer's Management Fund	0	0	33,800
SUBTOTAL - Other Appropriated Funds	0	0	33,800
SUBTOTAL - Appropriated Funds	4,977,500	5,769,300	5,650,500
TOTAL - ALL SOURCES	4,977,500	5,769,300	5,650,500

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.

	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2008 Approved
PERFORMANCE MEASURES				
• Ratio of yield of LGIP to Standard and Poor's LGIP Index	1.7	1.2	1.0	1.2
Comments: The State Treasurer's LGIP outperforms the Standard and Poor's LGIP Index if the ratio is above 1.0.				
• Ratio of yield of endowment pools to Big Bond Index	2.60	0.78	2.77	1.10
Comments: The State Treasurer's endowment pools outperform the Big Bond Index if the ratio is above 1.0. The endowment pool consists of investments that are shorter in duration than the Big Bond Index. Due to the upward shift in both short and long-term interest rates, the less volatile portfolio of the State Treasurer was able to outperform the Big Bond Index.				
• Customer satisfaction rating for local government investment pool participants (Scale 1-8)	NA	NA	7.4	7.4

1/ Before changing the 8 basis point investment management fee, the Treasurer shall submit the proposed change and its fiscal impact to the Joint Legislative Budget Committee for review. (General Appropriation Act footnote)

2/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget provides \$3,420,400 and 34.4 FTE Positions for the operating budget in FY 2008. These amounts consist of:

	FY 2008
General Fund	\$3,386,600
State Treasurer's Management Fund	33,800

These amounts fund the following adjustments:

Statewide Adjustments

These amounts include an increase of \$118,300 from the General Fund in FY 2008 for statewide adjustments. *(Please see the Statewide adjustments section at the end of this Appropriations Report for details.)*

Internal Auditor/Compliance Officer

The budget provides an increase of \$125,800 and 1 FTE Position from the General Fund in FY 2008 for an internal auditor/compliance officer position. This position is responsible for performing internal audit functions and reviewing trades to verify that they comply with Board of Investment policies.

Portfolio Order Management System

The budget provides an increase of \$100,000 from the General Fund in FY 2008 for a portfolio order management system (POMS) as part of the Treasurer's investment tools. The POMS will integrate with the current accounting system and analytical tools to simplify trade entry procedures and provide enhanced trade analysis. The POMS will also provide additional compliance features by warning traders before a trade is made if it is not in compliance with Board of Investment trade policies.

Business Process Re-engineering

The budget provides a one-time increase of \$80,000 from the General Fund in FY 2008 to review business processes at the Treasurer's Office. Currently, the office has 4 different computer operating systems that have not been updated since the late 1990s. Since then, there have been ad hoc additions to existing systems to accommodate new services such as equity investments and the Local Government Investment Pools. The \$80,000 amount includes funding to conduct a review of business processes in order to consolidate current operating systems.

IT Equipment Replacement Schedule

The budget provides an increase of \$79,200 from the General Fund in FY 2008 to fund the first year of a proposed information technology (IT) equipment replacement schedule.

Remote Journaling

The budget provides an increase of \$63,000 from the General Fund in FY 2008 for a remote journaling system.

This system will allow the agency to back up system data at an offsite location using network storage. Remote journaling will reduce the time lag for the most recent recovery point from the close of the prior month to less than 1 minute. The included amount provides funding for one-time hardware and software. Ongoing costs are estimated at \$9,000 annually.

Remote Access

The budget provides an increase of \$33,800 from the State Treasurer's Management Fund in FY 2008 for remote access capabilities. The included amount provides funding for software and hardware needed to provide remote access capabilities from outside the office. Ongoing costs are estimated at \$1,300 annually.

Special Line Items

Justice of the Peace Salaries

The budget provides \$2,230,100 from the General Fund for the Justice of the Peace Salaries Special Line Item in FY 2008. This amount funds the following adjustments:

Justice of the Peace Salary Increase

The budget provides an increase of \$173,500 from the General Fund in FY 2008 for Justice of the Peace (JP) salary increases. Currently, the state pays 38.5% of JP salaries at a cost of about \$2,900,000 each year. Laws 2005, Chapter 286 approved a 12.5% salary increase for Superior Court judges effective January 1, 2007. Since A.R.S § 22-125 requires the compensation level for each JP be computed as a percentage of Superior Court judges' salaries, JP salaries increased by 12.5% on January 1, 2007. The FY 2007 budget provided \$173,500 for JP salary increases for the last half of the fiscal year. The included amount will annualize the cost of the JP salary increase for FY 2008.

Ch. 237 Justice of the Peace Salaries

Laws 2007, Chapter 237 provides a decrease of \$(892,400) from the General Fund in FY 2008 for a reduction in state aid to Maricopa County for JP salary expenses. Laws 2007, Chapter 237 requires that Maricopa County pay 100% of its JP salary expenses instead of the 38.5% contribution currently required by statute. To offset this cost, Maricopa County's AHCCCS contributions for Acute Care will decrease by \$(892,400). *(Please see the Acute Care program in the AHCCCS budget for additional information.)*

A.R.S. § 22-117 requires the state to pay 40% of the salary for each JP, with the county paying the remainder. Since FY 2003, there have been a series of annual session law provisions requiring the state to pay 38.5% of JP salaries.

The Criminal Justice Budget Reconciliation Bill (Laws 2007, Chapter 261) continues the provision that the state fund JP salaries at 38.5% for FY 2008.