



# Oklahoma State Treasurer

**FY 2025 Budget Hearing Presentation**

**Submitted by: The Honorable Todd Russ, State Treasurer**



# Todd Russ

## State Treasurer

The Oklahoma State Treasurer provides for the safe and efficient operation of state government through effective banking, investment, and cash management.

Founded at statehood and enshrined in the Oklahoma Constitution, this agency, encompasses the following divisions: Administration, Banking and Treasury Services, Portfolio Accounting and Reporting, Unclaimed Property, Debt Management, the Oklahoma Capitol Improvement Authority, Compliance and Internal Audit.

The State Treasurer has the following specific statutory and constitutional responsibilities:

1. Receiving, depositing, and disbursing all state funds;
2. Investing temporary surplus funds;
3. Investing specific funds for other state agencies where authorized;
4. Requiring banks to furnish collateral sufficient to secure deposits of state and other public funds;
5. Paying of interest on the state's bonded debt and the redeeming of the debt at maturity;
6. Maintaining a safekeeping operation for securities owned by various state agencies, and those securities pledged as collateral to other state agencies;
7. Processing and distributing all state payments;
8. Administering the Business and Agricultural Link Programs;
9. Administering the Unclaimed Property Program;
10. Overseeing state debt management and administering the Oklahoma Capitol Improvement Authority; and
11. State Treasurer serves as chair of Oklahoma 529 College Savings Plan and Tobacco Settlement Trust Board of Investors.

# Agency Vision, Mission and Core Values

- **Vision:** The vision of the State Treasurer's Office is to remain a state agency that is among the national leaders for the delivery of basic treasury services and innovative programs; improves on programs through more efficient and effective delivery of financial services; demonstrates leadership through the use of technology and the introduction of new or enhanced programs and services that meet the needs of Oklahoma citizens; provides public education and information as to the availability of programs and services, as well as the roles and responsibilities of the Treasurer's office; and, achieves and maintains public confidence in the State Treasurer's Office.
- **Mission:** The mission of the Oklahoma State Treasurer is to serve the people of Oklahoma by providing sound banking and investment services, reuniting individuals and businesses with their unclaimed property, and promoting economic opportunities in a fiscally responsible and efficient manner while adhering to the highest professional and ethical standards.
- **Core Values:** Values are the service delivery parameters within which internal culture is developed and operations maintained. Core values include but are not limited to honesty, ethical conduct and trustworthiness; fiscal responsibility; customer and public service; internal teamwork and staff development; communication – internal and external; state agency and financial institution collaboration; risk management; innovation; and operational balance.



# Accomplishments

## Top accomplishments for FY 2023 – FY 2024

- 1) Continued effort on Legacy system replacement project. RFI process has been completed. Information is being formulated into an RFP to be issued within the next few weeks.
- 2) Continued Success in returning unclaimed property to rightful owners – paid out \$3.1MM in the largest claim in UP history.
  - Decreased operating expenses through renegotiation of contracts for custody services, security services etc.
- 3) Record earnings for the State's Portfolio - FY23 - \$220MM.
  - Partnering with Deutsche Bank for securities lending program resulting in an increase to the General Revenue by \$12-\$15 million annually.
- 4) Converted earnings credits to cash through contract negotiations – more than \$3MM over the next 3 years.
- 5) Transitioned investment operations from a custom platform to an industry leading Bloomberg platform resulting in better trading opportunities and pricing.
- 6) Positive movement for the State's rating:
  - In July 2023, S&P Global Ratings revised the state's outlook from Stable to Positive.
  - In October 2023, Moody's Investors Service put the state's credit rating on Positive Outlook.
- 7) Oklahoma 529 College Savings Plan has been awarded Bronze Star status by the Morningstar Analyst Ratings.
  - Negotiated annual fees from 25 BPS to 10BPS resulting in lower operational costs.
  - Won a gold Marcom award.
  - Nationally, the program won a Good Housekeeping 2023 Parenting award.
  - Withdrawals of Oklahoma 529 funds hit \$1billion helping more than 87,000 families invest and save for education expenses.





# Challenges

## Top Challenges (current & upcoming years)

- 1) Transition Banking and Unclaimed Property operations to upgraded platforms.
- 2) Effectively manage ARPA funds to accommodate the State's disbursement schedule.
- 3) Retain workforce with necessary experience and skills.



# Savings & Efficiencies (Current or Planned)

Savings or Efficiency Name	Brief description of how savings were achieved	Savings in Unit of Measurement*	FY 2023 (Actual \$ Savings)	FY 2024 (Projected \$ Savings)	FY 2025 (Projected \$ Savings)
Legacy System Modernization	Replacement of legacy systems with modern solutions to achieve efficiencies	Reduced maintenance and support needs, leading to reduced costs	N/A	Safe and more secure systems	Possible Savings from reduced maintenance charges
Oklahoma 529	New accounts and asset growth have led to break points in the fees	From 25 to 10 BPS in management fees	Approx. \$500,000/yr.	Approx. \$500,000/yr.	Approx. \$500,000/yr.

\* Hours, FTE, square feet, etc.



# Agency Goals and Key Performance Metrics

Goal		Metric	FY 22 Actuals	FY 23 Actuals	FY 24 Target	FY 29 Target
1	% - To achieve more efficiency and process via secure payment methods, reducing the overall costs to state agencies and OST	Warrants Processed - %	*11%	10%	9%	9%
2	\$ - To reunite as many missing rightful owners as possible with their unclaimed property – D0201 (Debts & Obligations)	Unclaimed Property – Claims Paid (\$)	\$33,511,383	\$28,747,843	\$42,000,000	\$50,000,000
3	# - To reunite as many missing rightful owners as possible with their unclaimed property - D0201 (Debts & Obligations)	Number of Claims Paid	11,005	12,654	13,287	15,000
4						
5						



# Projects for FY 2024 - 2025

## Projects

- 1) Update and replace outdated agency legacy systems critical to core operations.
- 2) Growth of the Oklahoma 529 College Savings Plan to decrease student loan debt and increase the number of Oklahomans with degrees.
- 3) Increase use of the Oklahoma STABLE Program for people with disabilities to improve quality of life.
- 4) Increase the productivity of the State Treasurer's Unclaimed Property Program to reunite Oklahomans with their lost money.
- 5) Maximize earnings for the State's Portfolio
- 6) Maximize savings for the Treasury's operating costs.

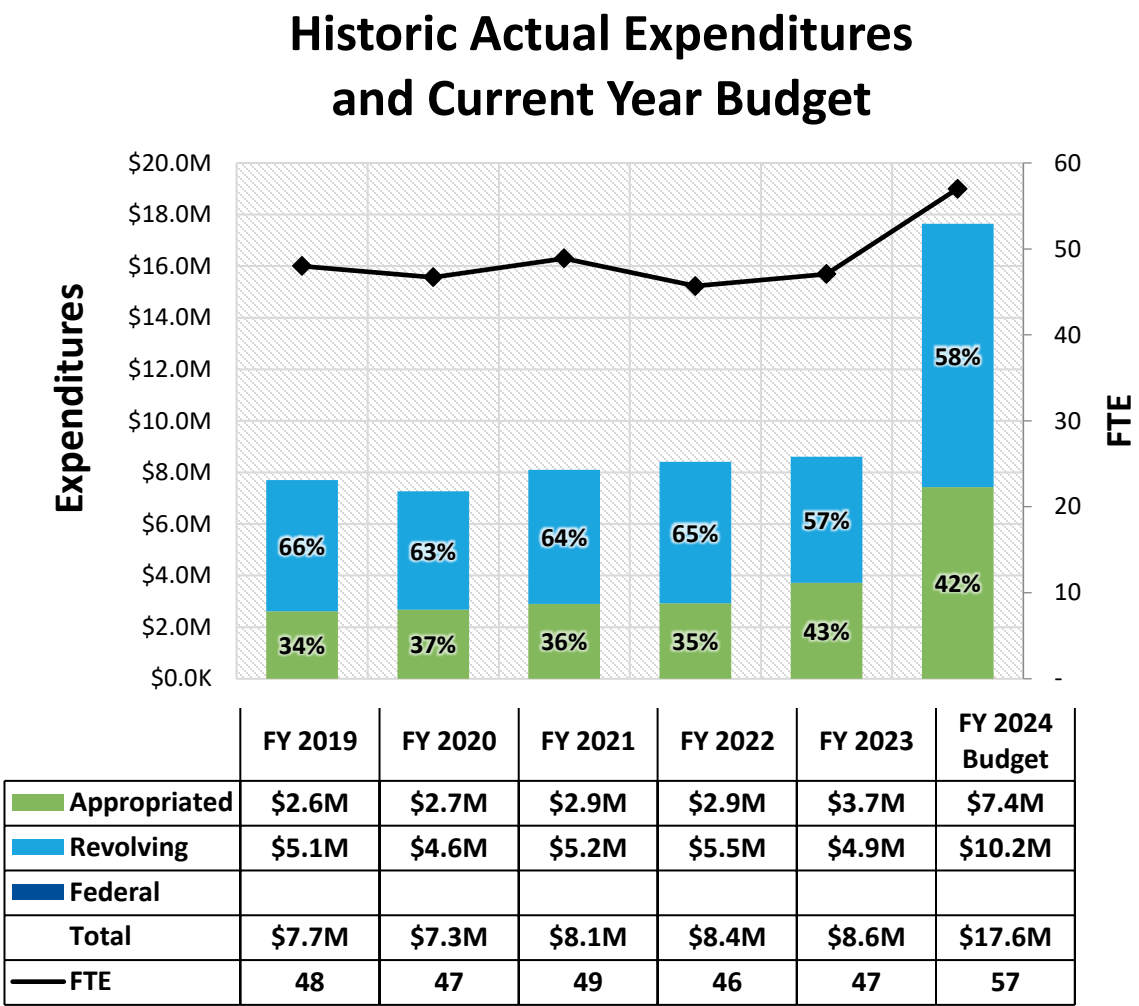




# Historic Actual Expenditures (FY 2019-23) and Current Year Budget (FY 2024)

## Explanation of Significant Changes and Trends

The available balance from the Legacy Modernization appropriation is budgeted in FY24 with the expectation of completion of the legacy replacement project, resulting in the increase of expenditures from the appropriated funds. The FY24 expenditures budgeted from the revolving funds include maximum potential expenses (bank fees, location services fees etc.) that may or may not materialize.



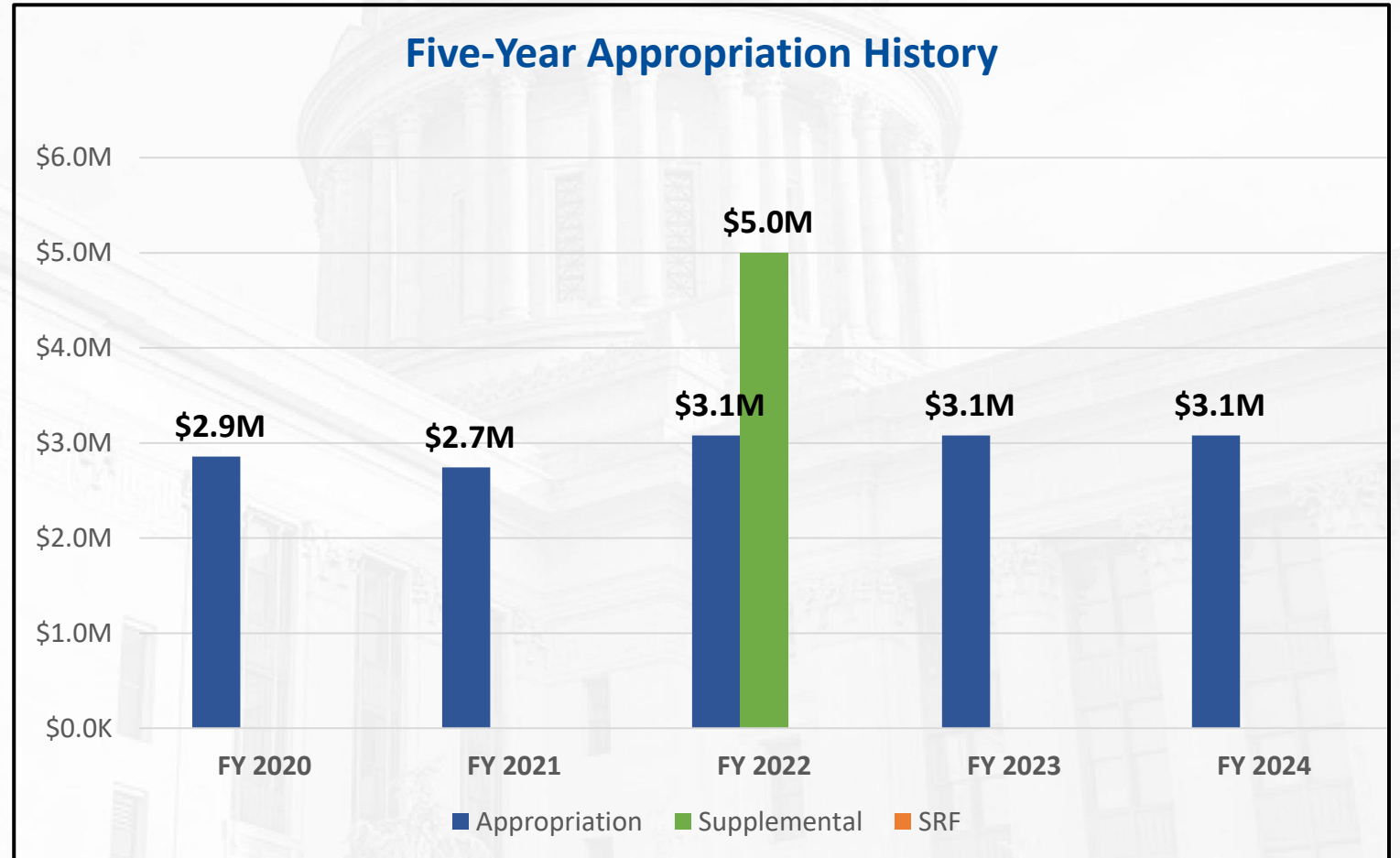
# FY 2024 Budgeted Full Time Equivalents (FTE)



	FY 2024 Budgeted FTE
Total FTE	57
Supervisor FTE	14
Supervisors to Total FTE Ratio (%)	24%

# Appropriation History

Fiscal Year	Legislated Appropriation (\$) <i>(Includes supplementals and SRF/ARPA.)</i>
FY 2020	\$2,856,928
FY 2021	\$2,742,651
FY 2022	\$8,079,823
FY 2023	\$3,079,823
FY 2024	\$3,079,823



*\*Includes Supplemental and Statewide Recovery Fund (ARPA) appropriations.*



# Financial Resource Analysis

Carryover	FY 2020	FY 2021	FY 2022	FY 2023
Total appropriated carryover amount expended (\$)	\$1,627,709	\$1,361,844	\$1,462,349	\$1,645,278

Historical Cash Balances	FY 2020	FY 2021	FY 2022	FY 2023
Year End Revolving Fund Cash Balances (All Revolving Funds)	\$14,247,853	\$15,705,974	\$19,992,156	\$25,076,910

Class Fund # (Unrestricted only)	Class Fund Name (Unrestricted only)	Current cash balance (\$)
275	OK SEED Revolving Fund	\$1,480
285	Bond Oversight Revolving Fund	\$936,936
200	Treasurer's Revolving Fund	\$10,349,285
	<b>Total Current Unrestricted Fund Cash balance:</b>	<b>\$11,287,701</b>

Fiscal Year	Agency's plan to deploy unrestricted cash (including amounts):
FY 2024	<ul style="list-style-type: none"> <li>- Replacement of outdated Legacy Banking systems in addition to upgrading outdated trading and unclaimed property platforms</li> <li>- Annual increases in ongoing technology support expenses as well as covering new unfunded responsibilities required of OST</li> </ul>
FY 2025	<ul style="list-style-type: none"> <li>- Replacement of outdated Legacy Banking systems in addition to upgrading outdated trading and unclaimed property platforms</li> <li>- Annual increases in ongoing technology support expenses as well as covering new unfunded responsibilities required of OST</li> </ul>
FY 2026	



Unrestricted funds are those that are not limited by state or federal law, rule, regulation, other legally binding method, or donor restriction.

# FY 2022 Incremental Appropriation Review

<i>Purpose of appropriation increase / decrease</i>	<i>Amount of increase or decrease (\$)</i>	<i>Included in FY24 appropriation? (Yes/No)</i>	<i>If yes, included in appropriation for same purpose? (Yes/No)</i>	<i>If not included for same purpose, please explain.</i>
<b>FY 2022</b>				
General duties – increase in IT support costs (OMES)	\$337,172	Yes	Yes	
Legacy Modernization Project	\$5,000,000	No		
	\$			
	\$			
	\$			
	\$			
	\$			
	\$			
<b>Total adjustment</b>	<b>\$5,337,172</b>			



*\*Do not include SRF / ARPA appropriation increases.*



# FY 2023 Incremental Appropriation Review

<i>Purpose of appropriation increase / decrease</i>	<i>Amount of increase or decrease (\$)</i>	<i>Included in FY24 appropriation? (Yes/No)</i>	<i>If yes, included in appropriation for same purpose? (Yes/No)</i>	<i>If not included for same purpose, please explain.</i>
<b>FY 2023</b>				
N/A	\$			
	\$			
	\$			
	\$			
	\$			
	\$			
	\$			
	\$			
<b>Total adjustment</b>	\$			



*\*Do not include SRF / ARPA appropriation increases.*

# FY 2024 Incremental Appropriation Review

<i>Purpose of appropriation increase / decrease</i>	<i>Amount of increase or decrease (\$)</i>	<i>Does this need to be included in your FY 2025 appropriation? (Yes/No)</i>	<i>If yes, included in appropriation for same purpose? (Yes/No)</i>	<i>If not included for same purpose, please explain.</i>
<b>FY 2024</b>				
N/A	\$			
	\$			
	\$			
	\$			
	\$			
	\$			
	\$			
	\$			
<b>Total adjustment</b>	\$			



*\*Do not include SRF / ARPA appropriation increases.*

# Budget & Supplemental Request Summary

Request Name		FY 2025 Appropriated Request Amount (\$) <i>{or FY 2024 for Supplementals}</i>	Type of Request: Operating, One-time, or Supplemental
1	Legacy Systems Modernization	\$7,500,000	One-time, Supplemental
2			
3			
4			
5			



# (1) Budget Request

Replacement of Core Legacy Systems	
Type: Supplemental	\$ 7,500,000
<p>Additional funding is being requested to complete the replacement of outdated core legacy systems that support the financial transactions of the entire State government. The funding is required by March 2024.</p> <p>Market research from the RFI indicated an increased cost for IT conversion to range from \$11.5MM to \$15MM</p>	

