



STATE OF INDIANA
OFFICE OF THE TREASURER
INDIANAPOLIS
46204

RICHARD E. MOURDOCK
TREASURER OF STATE

September 16, 2010

Adam Horst, Budget Director
State of Indiana
Room 212 Statehouse
Indianapolis, IN 46204

Dear Adam,

The Office of the State Treasurer will soon submit its 2012-2013 biennial budget request. This budget has been prepared to cover the operating expenses necessary to maintain the current level of services for the operations, which are prescribed for this office by the Indiana Constitution and the Indiana General Assembly. As you will see, our budget request is frozen at the same amount as last biennium.

The primary responsibility of the Treasurer of State is the safekeeping and investment of moneys and securities paid into the state treasury. The last two years have certainly been a challenging environment in which to invest due to historically low interest rates, a weak economy, and turmoil in the global financial markets. However, I am heartened by what our office has been able to accomplish, even in these difficult times. Recently, the Treasurer's Office passed the one billion dollar mark in investment income earned for the State of Indiana since I took office in February of 2007. By continuing to improve efficiency, I believe we can continue to maintain this high degree of performance without increasing our budget request for the next biennium.

Summary of Activities:

The Treasurer of State's office has 12 full time employees. My staff and I take pride in providing high quality service to Hoosier taxpayers in an efficient and cost effective manner. The Treasurer's Office is responsible for the investment and accounting of the state's portfolio, including the state's general fund and over 70 trust funds. In addition, we are responsible for providing cash management and banking services for the state and its agencies. Aside from those two core functions, the Treasurer of State has many additional duties that require administrative skills, investment skills, and a great deal of time. Those duties include but are not limited to: serving as trustee of the Indiana State Police Pension Fund and the Next Generation Trust Fund; serving as chairman of the Indiana Bond Bank, the Indiana Education Savings Authority and the Indiana Wireless Enhanced 911 Advisory Board; and administering and investing the Indiana Grain Indemnity Fund, the Common School Fund, the Public Deposit Insurance Fund and the Major Moves Construction Fund. The Treasurer of State also serves as a member of over a dozen state boards and commissions. Finally, the State Treasurer serves as the Administrator of the state's local government investment pool, a vehicle to assist entities of local government in achieving a greater rate of return on their funds.

Evaluation and Accomplishments:

Although I will be providing a much more comprehensive report on the activities and accomplishments of the Treasurer's Office in my annual report in November, I wanted to share with you a snapshot of the state's investment portfolio and a few of the highlights of our last two years.

During Fiscal Year 2009, a difficult year for the markets, the State Treasurer's Office managed to earn \$112.1 million on its portfolio. At the time of this submission, we do not have reconciled and audited investment earnings numbers for Fiscal Year 2010.

The last biennium has been an extremely productive one for the Indiana Bond Bank. The total volume of issuance during Fiscal Year 2009 was \$1,535,478,708 and \$901,810,541 during Fiscal Year 2010. The Bond Bank's programs provided significant tax savings for Indiana's local government entities that will continue for years to come.

The College Choice 529 Investment Plan, which is overseen by the Indiana Education Savings Authority, has also experienced tremendous growth over the past two years, even being named one of the "Top 5 Best" 529 Plans in the Country by Morningstar. The total number of accounts increased from 122,259 as of June 30, 2008 to 171,162 as of June 30, 2010. More importantly, the number of accounts owned by Indiana residents increased during the same period, from 76,770 to 128,944. Additionally, we saw assets invested in the Plan topping \$1 billion. Much of this increase can be attributed to the outstanding tax benefits afforded to Indiana residents by virtue of the 20% state tax credit. The Plan also benefited from a significant reduction in fees (up to 50% in the Direct Plan) and a wider range of investment options. Remarkably, the Plans experienced continual growth, despite the market volatility of 2008 and 2009.

The State of Indiana continues as the "model" of wireless 911 networks not only across the United States, but has been recognized around the globe. The Indiana Wireless E911 Advisory Board has created a wireless direct network that serves all 92 counties in the state, serving over 150 public safety answering points. In 2010, Indiana was the recipient of a \$1.5 million grant through the National 911 office to upgrade the state's network to maintain the demand of technology today and into the future. To date, the network has delivered over 9 million wireless 911 calls across Indiana. As Chairman of the Indiana Wireless E911 Advisory Board, I will work with local officials, public safety officials, and the telecommunications industry to continually improve our technology and lead the nation with our level of service.


Plans for the Biennium:

The Treasurer of State's Office continues to work toward providing Hoosiers with more efficient and effective state government. The following objectives will be the focus of the office over the next biennium:

- Continue its strong investment performance, while emphasizing safety and liquidity.
- Further enhance our CollegeChoice 529 Investment Plan by offering an FDIC-insured option for Hoosiers to save for college while still taking advantage of the state tax credit.
- Further promote the existence of the Local Government Investment Pool to local government entities.
- Continue to work closely with all state agencies to monitor cash flow needs in order to maximize interest earnings in this environment of decreasing tax revenues.
- Work through the Indiana Bond Bank to further decrease borrowing costs for local governments throughout the state of Indiana.

I am proud of the work my staff and I have done on behalf of Hoosier taxpayers during these difficult economic times. I continue to be reminded daily of the fact that every dollar my office earns in interest income for the State is one less dollar that taxpayers will have to pay in taxes to fund government services. I will continue working hard to maximize the earnings on the money entrusted to my office by the citizens of Indiana.

Respectfully,



Richard E. Mourdock
Treasurer of State