



STATE OF INDIANA
OFFICE OF THE TREASURER
INDIANAPOLIS
46204

RICHARD E. MOURDOCK
TREASURER OF STATE

November 30, 2012

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 2014-2015 biennial budget request. This budget has been prepared to cover the operating expenses, with a nominal increase to the Salaries and Wages appropriation, 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.

The primary responsibility of the Treasurer of State is the safekeeping and investment of moneys and securities paid into the state treasury. The last few 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. As of the end of FY12, the Treasurer's Office has earned over \$1.4 billion in investment earnings 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.

I would like to mention that I am asking for a new appropriation this biennium related to bank fees. Currently, the Treasurer's office pays banking service related fees for all state agencies and we do this by netting those fees against interest earned on the Treasurer's bank accounts. The result of that netting process is an understatement of revenues and expenses. I believe there is a real benefit to all by adding this new appropriation. It will not only result in more accurately stating revenues and expenses, but will result in more transparency related to the fiscal activities of the State. I am not asking for this appropriation to be added to the Treasurer's operating budget, but for a new Fund to be established for this specific appropriation.

Summary of Activities:

The Treasurer of State's office has 13 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 Statewide 911 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:

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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 the last biennium, a difficult period for the markets with Treasury bond yields declining to historic lows, the State Treasurer's Office managed to earn \$317.3 million on its portfolio.

The last biennium has been an extremely productive one for the Indiana Bond Bank. The total volume of issuance during Fiscal Year 2011 was \$524,264,923 and \$340,038,510 during Fiscal Year 2012. The Bond Bank's programs provided significant interest savings for Indiana's local government entities that will continue for years to come.

The CollegeChoice 529 Savings Plan, which is overseen by the Indiana Education Savings Authority, has also experienced tremendous growth over the past two years, with more Hoosiers saving than ever before. With total assets for the plan topping \$1.8 billion, we have experienced over 51% growth in assets over the last two years. More importantly, we now have over 214,000 Hoosier families saving over \$1.4 billion of those assets. The CollegeChoice Plan has made a conscious effort to increase the number of ways we can reach Hoosiers, introducing a new mobile app, "Big Start", for the Iphone and Android smartphone lines. With more and more Hoosiers using mobile devices for work and pleasure, it allows us to inform and educate those through a new means of communication. Additionally, the CollegeChoice CD Plan was added to the 529 family of programs. The CD plan provides 4 FDIC-insured products that also allow participants to benefit from the federal tax-free growth, in addition to the outstanding tax credit afforded Indiana residents. We continue to offer Hoosiers a simple and affordable way to save for their future, promoting the programs statewide through a multi-faceted marketing campaign.

Indiana has the largest public safety IP enabled ESInet network in the country for wireless E9-1-1 service and continues to be "the model" for other states to build. As chairman of the Statewide 9-1-1 Board, I am pleased to report that Indiana is equipped to process communication services from all technologies and is not limited to telephone service. The network provides connectivity to each of the 132 Public Safety Answering Points (PSAPs) or 9-1-1 centers, 6 Indiana State Police Regional Dispatch Centers and PSAPs located in Michigan, Ohio and Kentucky. The network is also utilized by other state programs for connectivity to local government. Since its' inception the network has routed over 12 million emergency calls for service. Indiana is in a beta test for texting 9-1-1 capabilities and will expand the testing to other communities in the coming months.

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,

A handwritten signature in black ink, appearing to read "R. E. Mourdock". The signature is fluid and cursive, with a large, sweeping flourish at the end.

Richard E. Mourdock
Treasurer of State