



Michael L. Fitzgerald, Treasurer of State

February 9, 2016

## Presentation to Administration and Regulation Appropriations Sub-Committee

FY17 Budget Request

Update on Treasury Operations

Update on Consumer Programs

Centralized Financing

ABLE Trust Update

State Credit Rating

## FY17 Budget Request

General Fund	\$1,084,392	Same as FY16
Road Use Tax Fund	\$ 93,148	Same as FY16

## Update on Treasury Operations

	FY13	FY14	FY15	
<b><u>TREASURY OPERATIONS</u></b>				
<b><u>Cash Management</u></b>				
Receipts	\$21.4B	\$21.5B	\$22.5B	
Disbursements	\$19.9B	\$20.5B	\$21.5B	
Warrants redeemed (#)	1.4M	1.4M	1.6M	
Electronic payments made (#)	6.8M	6.5M	6.3M	
Investment pool average balance	\$3.34B	\$3.7B	\$3.25B	
State money in Iowa bank CDs 6/30	\$90M	\$150M	\$246M	
<b><u>Financing</u></b>				
Outstanding bonds 6/30	\$1,040M	\$921M	\$887M	
Vision Iowa 2001			\$80M	Final maturity 2020; Not callable
Utilities Board 2009			\$11M	Final maturity 2029; Callable 2019
IJOBS 2009			\$526M	Final maturity 2034; Callable 2019
IJOBS 2010			\$139M	Final maturity 2038; Callable 2020
Corrections 2010			\$131M	Final maturity 2027; Callable 2020

## Update on Consumer Programs

### Unclaimed Property FY15

Entities remitting unclaimed property	6,000
Unclaimed Property received	\$33M
Number of Claims paid	15,000
Property returned to owners	\$15M

### College Savings Iowa FY15

Assets 6/30	\$4.1B
Accounts 6/30	230,500
Contributions	\$329M
Distributions for college	\$253M

Meet Michael Fitzgerald

Our Responsibilities

Facts and Figures

Requests for Proposals

**Interactive Map**

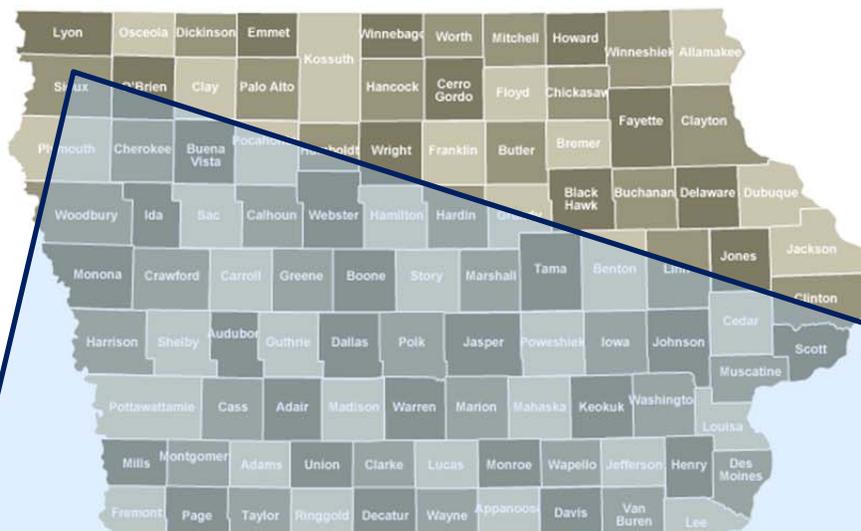
News

Newsletters

Calendar

### Treasurer's Office Working for You

State Treasurer Michael L. Fitzgerald is constantly working to provide services to all 99 counties in Iowa. Please click on your home county and see how the treasurer's office works for you.



#### Sioux County

#### Statistics

##### Top 10 Unclaimed Properties

WINTER DAVID	\$55,662.68
CRAFT NORMA	\$29,022.56
LANKHORST DOUGLAS A	\$14,092.70
WALKER IRENE I	\$9,415.18
CRAFT NORMA A	\$8,172.01
ROETMAN EDWIN B	\$4,560.93
DESMET MARY H	\$4,541.25
COAST TO COAST	\$4,521.21
HUBERS ALFRED	\$4,360.74
BECKER ADAM DOUGLAS	\$4,321.86

##### Unclaimed Property Available for Claim

\$670,708.27

##### Great Iowa Treasure Hunt Dollars Returned

\$716,351.23

##### College Savings Iowa Accounts

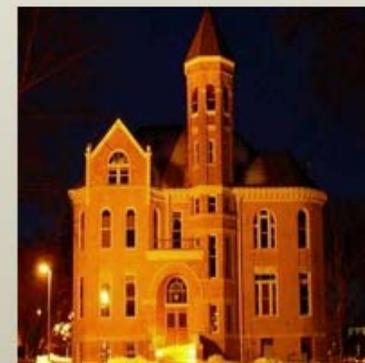
1,403

##### College Savings Iowa Dollars Invested

\$10,815,421.64

##### Dollars Invested in Local Financial Institutions

\$35,283,048.27



*The treasurer's interactive map can be accessed online by visiting:*

**[http://www.iowatreasurer.gov/the\\_treasurers\\_office/interactive\\_map/](http://www.iowatreasurer.gov/the_treasurers_office/interactive_map/)**

## Importance of Centralized Financing by the State Treasurer

Iowa Code Chapter 12.28

**“The treasurer of state shall have sole authority to enter into financing agreements on behalf of state agencies”**

- Enacted 20 years ago, in order to take advantage of economies of scale and treasury’s financial expertise
- Master lease agreement that provides low rates for agencies
- Examples of financed property
  - Skid loader
  - Computer equipment
  - Mechanical upgrades for state buildings
  - Energy conservation projects
- This example demonstrates why centralized financing is important:

## Funding for the State-wide Land Mobile Radio Communications Platform

August 2015	<p>Agency asks AG to review the terms of a lease purchase agreement they want to sign with a vendor.</p> <p>Vendor is proposing 3.63% interest on \$40.7M for 12 years which would result in the State paying \$9.2M in interest.</p> <p>Attorney General notifies Treasurer because Iowa Code gives treasurer the sole authority to enter into such financing agreements.</p> <p>Vendor is notified that Treasurer will be responsible for negotiating the lease purchase agreement. Treasurer would require competitive bid.</p>
Sept 2015	<p>Vendor lowers proposed interest rate to 2.77%, potentially saving the State \$2.5M in interest.</p>
Oct 2015	<p>Treasurer informs legislative council and governor that their authorization is required in order to proceed with the financing (12.28 requires authorization for financings over \$1M).</p> <p>Treasurer suggests using one-time money to pay for the project, rather than incurring interest costs.</p>
Now	<p>Awaiting legislative action</p>

# ABLE Trust Update

## **Federal ABLE Enacting Legislation – 2014**

- Passed by Congress in December 2014 to provide a tax-advantaged way for persons with disabilities to accumulate assets.
- The federal legislation was modeled after 529 college savings legislation.

## **Iowa ABLE Enacting Legislation - 2015**

- The Iowa General Assembly passed the Iowa ABLE Act in 2015.
- Allows for Iowa tax deduction tied to the College Savings Iowa deduction amount which is set by the Treasurer's Office annually, currently \$3,188.
- Received initial startup appropriation of \$300,000 for the plan.
- The earliest possible start date for contributions is July 1, 2016.

## **ABLE Act Status Update**

- Federal rules have been proposed with guidance which allows our office to begin exploring options for the Iowa Able Plan.
- Anticipate proposed rules in Iowa this spring.
- We are collaborating with other states and looking at Iowa's options to set up a plan that will be in the best interest of disabled Iowans and the State of Iowa.
- Goal will be to offer accounts in Iowa in the 2<sup>nd</sup> half of this calendar year.
- Additional appropriation will be needed this year to continue to implement the plan.

## **ABLE Act Challenges**

- Medicaid claw-back provision for death of disabled Iowan.
- Smaller pool of participants will make accounts more expensive for participants than College Savings Iowa Accounts.
- Contributions are limited to \$14,000 per year, which will slow the asset growth.
- It is unlikely this Trust will become self-sufficient in the near future.

## January 2016 Iowa AAA Credit Rating Affirmed

Why is this important?

Independent evaluation

Lowers borrowing costs

Across-The-Board AAA States (Triple A from all three major credit rating agencies)

Alaska

Missouri

Delaware

North Carolina

Georgia

Texas

**Iowa**

Utah

Maryland

Virginia

Factors in determining state credit rating

Financial Management

Economy

Debt and other Long-Term Liabilities

## Quotes from January rating reports

### **Standard and Poor's:**

“Good fiscal management and a structurally balanced budget”

“Maintenance of significant rainy-day reserves”

“Average income levels, low unemployment, and stable economic growth, albeit at a slower pace than the nation”

“Low debt burden, low state employee unfunded pension liabilities, and a minimal postemployment benefits liability”

### **Fitch Ratings Service:**

“The state has a careful and conservative approach to financial operations and has consistently achieved budgetary balance and maintained sizable reserves.”

“Iowa maintains resilient agricultural, education, health, and finance sectors, and recent economic growth has been more robust than national averages. Employment growth continues at a steady pace, just below the national average, and the unemployment rate remains well below the national rate.”

“The state’s debt burden is very low, primarily reflecting the state’s pay-go funding of capital projects and manageable pension liabilities.”