



Indiana Office of the Treasurer of State

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November 30, 2020

Zachary Q. Jackson
State Budget Director
State of Indiana
Room 212, Statehouse
Indianapolis, IN 46204

Dear Mr. Jackson,

The Office of the Indiana Treasurer of State will soon submit its 2022-2023 biennial budget request. This budget has been prepared to cover the operating expenses necessary to maintain the current level of services and operations delegated to 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 monies paid into the state treasury. By meeting this responsibility and other statutory duties, the Treasurer of State's office serves the citizens of the state of Indiana, state agencies, and local units of government as a revenue generator and principal, fiduciary check and balance on the State's finances.

Summary of Responsibilities:

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 \$9.7 billion portfolio (average daily balance), which includes the state's general fund and over seventy (70) individual trust funds. In addition to investing, we are responsible for providing cash management and banking services for the state and its agencies.

These and all the responsibilities listed below are executed by a staff of seventeen (17) full-time employees.

Aside from the two primary functions, the Treasurer of State has a number of core, statutory duties that require administrative, management, and investment oversight. Those duties include but are not limited to:

- serving as chair of the Indiana Education Savings Authority, the Indiana Bond Bank, the Indiana ABLE Authority, and the Indiana Statewide 911 Board;

- serving as trustee of the Indiana State Police Pension Trust Fund, the Next Generation Trust Fund, and the Next Level Indiana Trust Fund;
- administering and investing the Indiana Grain Indemnity Fund, the Common School Fund, the Public Deposit Insurance Fund, and the Major Moves Construction Fund; and
- managing and administering the state's local government investment pool, TrustINDiana.

The Treasurer of State also serves as an ex officio member on a number of other state boards and commissions.

Evaluation and Accomplishments:

I am proud to highlight a few of the accomplishments of our team over the past biennium. For a comprehensive report on the activities and accomplishments of the Treasurer's Office, please refer to my annual report to the Governor.

First and foremost, the Treasurer's Office earned over \$371 million in investment earnings for the State of Indiana during the last two fiscal years.

Our primary office functions continued without interruption through the changes brought on by the pandemic. Our investment approach and prudent financial management allowed the State Treasury to continue operations without issue and without having to liquidate a single investment before maturity or at a loss.

2020 marked another year of significant growth and enhancement of Indiana's tax-advantaged CollegeChoice 529 Savings plans. **Plan assets now total over \$5.4 billion, an increase of more than \$2.5 billion during my tenure.** Hoosiers now enjoy more flexibility than ever with the addition of apprenticeship programs registered and certified with the Secretary of Labor added to the lineup of qualified expenses. In addition, our state tax credit was expanded to include those who are married, filing separately (up to a maximum of \$500 per filer). 390,000 accounts have been opened to date, and these accounts grow tax-free provided the money is withdrawn to pay for: (1) qualified higher education expenses like tuition, room and board, books, computers and fees; or (2) up to \$10,000 of K-12 tuition expenses each year.

Over 752 Indiana qualified entities have been served by programs administered by the Indiana Bond Bank (IBB). The IBB is a body corporate and politic established by the Indiana General Assembly in 1984. The primary mission of the Bond Bank is to assist local units of government in the process of issuing debt. The IBB's list of qualified borrowers includes Indiana cities, towns, townships, public school corporations, counties, public libraries, county hospitals, and public universities. The IBB's culture of innovation and inclusivity has set a trend that offers creative solutions to complex problems for local units of government in these unprecedented times.

The Statewide 911 Board continues to lead the nation in its efforts to provide safety systems to Hoosiers. 911 service has been available in Indiana for more than 50 years; Indiana was the second

state in the country to successfully complete a 911 call. We continue to be the model nationally as we strive to implement the best possible 911 solutions for people in our state. This biennium saw the birth of a state-of-the-art, dual-provider next generation network. **Our efforts to offer statewide services has led to a cohesive public safety infrastructure that minimizes costs through economies of scale and frees up local funds for other purposes.** This summer marked the fourth year that all 92 counties had the ability to receive and send texts. Last year, 272,596 text sessions to and from 911 were reported across the state making up 7% of the interaction Hoosiers had with dispatchers. The total number of 911 calls and text sessions in Indiana in 2019 was 4,173,142.

Three years ago, our office launched the INvestABLE Indiana savings plan. Built upon the provisions of the federal ABLA Act of 2014 and codified in Indiana in 2016, our ABLA Authority oversees the administration of tax-advantaged savings accounts for individuals with disabilities. These accounts allow individuals to save for their futures and pay for disability-related expenses without endangering access to other vital public benefits. Qualified disability-related expenses include but are not limited to: education, transportation, housing, and medical needs. The Indiana ABLA Authority has seen exciting and meaningful growth in the plan this biennium. **There are now over 650 accounts open and almost \$4.5 million assets under management. The average account balance is around \$6,600, which far exceeds the \$2,000 federal resource limit which once dictated many individuals' ability to save.**

The last two years have been very productive for the Indiana State Police Pension Trust (ISPPT). Its customized investment structure and oversight has been a key contributor to increasing its funded status to a healthy 78%. The portfolio's fifteen (15) year annual net return of 5.0% translates to a cumulative return of 163%. My team and I continuously focus on maintaining its structure for strong fiduciary management, while emphasizing transparency and accessibility. In its 80+ year history, the ISPPT has met all statutory requirements and fulfilled the unique needs of its law enforcement member base with efficient, specific, and sound operations.

The purpose of the TrustINDiana program is to provide Indiana local units of government the opportunity to invest in a common pool of investment assets that preserves the principal of the public funds, remains highly liquid, and maximizes the returns. TrustINDiana invests the public funds in investments legally permitted by Indiana Code and in the manner further defined by the program's investment policy. There is no minimum amount for investing in TrustINDiana, nor are there transaction fees. TrustINDiana ended the fiscal year with \$1.87 billion in assets and a rate of 0.26%, an increase of \$440M in assets and a decrease of one hundred sixty-nine (169) basis points (1.69%) over the last fiscal year.

I am very proud of the work my team and I have done on behalf of Hoosier taxpayers. We are a small office of seventeen (17) staff, but we are mighty! With billions of dollars to manage every day, and in light of our consistent administrative frugality, any reduction in current funding will pose a risk to my team and the State of Indiana.

Conclusion:

The Treasurer of State's Office will continue providing Hoosiers with efficient and effective state government. I will uphold my fiduciary duties while investing and safeguarding public funds, overseeing the management of the state's financial assets, and providing accurate and timely funding to state and local stakeholders. We will continue delivering each of our programs to the individuals and entities they were created to serve in accordance with the law and at the levels of excellence they have come to expect.

I know 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. The roles and responsibilities of the Treasurer's Office are critical to Indiana's fiscal health. For the foregoing reasons, I respectfully request the appropriation as presented on our Agency Operating Account Summary for the 2022 through 2023 biennium.

Sincerely,

A handwritten signature in black ink that reads "Kelly". The signature is written in a cursive, flowing style.

Kelly Mitchell
Treasurer of State