

New Mexico State Treasurer's Office
Budget Presentation to the Legislative Finance Committee
November 20, 2019

STO's Budget Request

- \$107,600 or 2.8% increase in General Fund appropriation
- Funds will be used primarily to fill vacant positions and fund enhancements to New Mexico Local Government Investment Pool (LGIP)

What STO Does

- Manage and invest the State's operating cash and bond proceeds
- Provide banking assistance and services to State agencies
- Act as paying agent on the State's outstanding debt/bond issues
- Manage and invest the LGIP on behalf of New Mexico's local governing entities and tribes
- Enforce the State's collateral policy on financial institutions holding State money
- Operate New Mexico ABLE (Achieving a Better Life Experience) program
- Administer the Forfeiture Act

Earnings Significantly Greater Than Budget

- Strong FY19 earnings of \$120.6 million generated
- \$101.7 million distributed on STO funds
- \$18.9 million distributed to LGIP participants
- STO's FY20 General Fund Appropriation is \$3.8 million
- We'd love to be an enterprise agency!

STO has Managed its \$6.9 Billion in Cash and Investments Without Incident—No News is Good News

- Interest Rate Risk
- Cybersecurity Risks
- Credit Risk
- Operational Risk
- Bank and Credit Card Data Risk
- Fraud Risk
- Liquidity Risk

STO Highlights and Accomplishments

- All investment, cash management, and debt service responsibilities managed in an exemplary fashion; STO's core business has been prudently managed
- **No findings** were identified during FY19 audit (subject to review and release by OSA)
- Achieving a Better Life Experience (ABLE) program was launched and is operated with no additional funding from the general fund
 - Tax-free savings account for individuals with disabilities
 - Offered to New Mexico citizens beginning January 2018
- Customer Information Security
 - Ongoing work with DFA, DoIT, other agencies on PCI bankcard security
 - Encryption of all stored bank information used for ACH origination by all agencies due 6/30/21

(continued)

- Retirement Income Security Task Force Convened/NM Saves
 - 67% of NM private sector workers have no retirement savings
 - Report prepared in cooperation with UNM's Bureau of Business & Economic Research and AARP
 - Legislation to be presented to establish a voluntary State-sponsored plan
- Financial Literacy
 - Received a \$150,000 appropriation to provide financial literacy education to youth in foster care to prepare them to transition to adulthood
- Forfeiture Program
 - Developed, implemented, and currently administering a program to comply with the Forfeiture Act

Why STO Needs Additional Funding

- Budget increase is needed to fill vacant positions
 - Authorized FTEs have been eliminated or held vacant to fund rising costs
 - Positions to be filled:
 - Chief Risk Officer
 - SHARE Business Process Analyst
 - Additional Portfolio Manager
 - Additional Transaction Processing Staff
- Enhance LGIP
 - Introducing system to provide LGIP participants online account access beginning Q1 2020; funded from vacancy savings. Implementation \$40,000/ongoing annual \$31,000.
 - LGIP participants have expressed interest in having larger suite of investment options
 - Additional staff needed to implement
- Perform technology upgrades to keep STO current and secure

STO Staffing Summary

- Authorized FTEs reduced from 40 to 35 during economic slowdown in FY17
- 26 FTEs currently; 2 classified positions posted/1 exempt hiring is imminent
- Higher wages needed to attract/retain qualified staff

STO senior staff paid significantly less than comparable positions at other investing agencies:

| Position | ERB | PERA | SIC | STO |
|------------------|-----------|-----------|-----------|-----------|
| Operations Lead | \$183,325 | \$172,942 | \$275,888 | \$143,111 |
| Investments Lead | \$264,586 | \$249,288 | \$265,200 | \$139,570 |
| General Counsel | \$121,356 | \$132,000 | \$143,208 | Vacant |

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