

November 12th, 2024

Rep. Jeff Thompson
State Budget Committee
Chairman
State of Indiana
Room 212, Statehouse
Indianapolis, IN 46204

Dear Chairman Thompson,

The Office of the Indiana Treasurer of State will soon submit its 2026-2027 biennial budget request. This budget has been prepared to cover the operating expenses necessary to maintain and improve the current level of services for the operations enjoined 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 money paid into the state treasury. By meeting this responsibility and many others given to this office via statute, the Treasurer of State's office serves the citizens of the state of Indiana, as well as state agencies and local units of government.

Summary of Activities:

My staff and I take pride in providing high-quality service to Hoosier taxpayers efficiently and cost-effectively. 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, with an approximate average daily balance during FY24 of **\$17.6** billion. In addition, we are responsible for providing cash management and banking services for the state and its agencies. These responsibilities were executed by eighteen (18) full-time employees and two part-time employees.

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 Trust Fund and the Next Generation Trust Fund; serving as chair of the Indiana Bond Bank, the Indiana Education Savings Authority, the Indiana ABLE Authority, and the Indiana Statewide 911 Board; and administering and/or investing the Indiana Grain Indemnity Fund, the Common School Fund, the Public Deposit Insurance Fund, the Major Moves Construction Fund, and the Next Level Indiana Trust Fund. During the 2021 legislative session, the Treasurer was given the responsibility of standing up and administering the Indiana Education Scholarship Account Program. In 2023, the Treasurer was given additional educational responsibilities with Career Scholarship



Accounts. The Treasurer of State also serves as a member of over a dozen state boards and commissions including the Indiana Finance Authority, Indiana Housing &

Community Development Authority, and the Indiana Public Retirement System. Finally, the State Treasurer serves as the Administrator of the state's local government investment pool, TrustIndiana, a vehicle to assist local government entities in achieving a greater rate of return on their funds.

Evaluation and Accomplishments:

Although I have provided a much more comprehensive report on the activities and accomplishments of the Treasurer's Office in my annual report to the Governor in October, I wanted to share with you a snapshot of the state's investment portfolio and a few of the highlights from the past two years. I am very proud of what our office has been able to accomplish. During fiscal year 2024, the Treasurer's Office earned \$ **541.5** million on an average daily portfolio balance of \$**11.8** billion for the State of Indiana's general fund yielding **4.55%**.

The last biennium has been an extremely productive one for the Indiana State Police Pension Trust (ISPPT). Its customized investment structure and oversight has been a key contributor to maintaining a healthy funding status of over **71%** as of July 1, 2024. The portfolio's fifteen (15) year annual net return of **7.12%** translates to a cumulative return of **170.1%**. 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 and sound operations.

The Statewide 911 Board continues to be a model nationally in its efforts to provide safety systems, while continually striving to implement the best possible 911 solutions for Hoosiers. Recently, Statewide 911 Board received the results of the study commissioned by the General Assembly to study and generate a plan to introduce a statewide interoperability system within Indiana. In the upcoming legislative session, more on that will be revealed. However, Indiana's Statewide 911 continues to be a model of excellence within the United States.

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 only 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. Indiana's local government investment pool, TrustINDiana, continues to be a safe and attractive investment option for local units of government. TrustINDiana ended the fiscal year with over **\$3.4** billion in assets and has seen an increase of over **\$390** million in asset growth from the end of FY23.

Five years ago, our office announced the launch of the INvestABLE Indiana savings plan. Built upon the provisions of the federal ABLE Act of 2014 and codified in Indiana in 2016, our ABLE Authority oversees the administration of tax-advantaged savings accounts for

individuals with disabilities to save for their futures and pay for disability-related expenses without endangering access to other vital public benefits. In 2025, due to General Assembly action, INvestABLE will lower its age of eligibility to 26 which will bring it in compliance with federal statutes. The intent of these accounts is to ease financial burdens on individuals with disabilities and allow for financial savings to cover qualified living expenses including but not limited to: education, transportation, housing, and medical needs. FY24 ended 1,991 total accounts with a little over **\$19** million in total assets under management. INvestABLE Indiana offers seven investment options, including a checking account option with a debit card. Starting in 2024, Hoosier taxpayers benefit from a 20% state income tax credit worth up to \$500. This tax credit is available to both account owners and third-party contributors.

FY24 also marked another year of significant growth and enhancement of Indiana's tax-advantaged CollegeChoice 529 Savings Plans. CollegeChoice 529 again saw strong new account openings and has finished its rebranding process to more accurately reflect the flexibility of 529 plans to include registered apprenticeships as well as reach more Hoosiers. Plan assets currently exceed **\$7.5** billion in more than 440,000 participants.

In Fiscal Year 2024, the Indiana Bond Bank (IBB) issued **\$243.6** million in short-term and long-term debt on behalf of 79 local governmental entities. IBB programs provided significant interest savings for Indiana's units of local government that benefit these communities for years to come. Much of this is a direct reflection of actions taken by the General Assembly to increase the term life of the issued bonds from 10 years to 20 years (25 years TIF).

Finally, the start of the new Indiana Education Scholarship Account Program (ESA) is underway. Indiana ESA is charged with establishing scholarship accounts to provide grants to parents of eligible students to use with participating entities for qualified educational expenses related to their K-12 educations. After 3 years of operation, ESA



is finally able to project a full allocation of its 10-million-dollar allotment in the upcoming 2024-25 school year. Along with ESA, the Treasurer implemented and launched Career Scholarship Accounts, a one-of-a-kind program meant to train students to be better prepared to enter the workforce upon graduation from high school. These \$5000 scholarships have quickly gained traction and in the second year of the program, the entire appropriated amount for the CSA program has been applied for by students wishing

to earn experience in fields such as construction tech, automotive repair and health care services.

I am proud of the work my staff and I have done on behalf of Hoosier taxpayers, especially under the conditions in which we perform our statutory duties. We are a small office of twenty(20). This is a strength but can sometimes bring its own challenges. With billions of dollars being managed every day by my office and as frugal as we have been on our administrative costs, any reduction in our current funding request may pose a risk to my team and the State of Indiana. Our biennium budget request seeks to (1) provide

additional funding to cover increased salary costs to fill jobs that require highly specialized individuals with significant training and experience, 2) provide additional funding to cover the normal rise in costs/inflation and the ability to attend relevant conferences/seminars, (3) provide for the funding to fill a vacant staff position, Assistant Cashier/Operations, to more efficiently and effectively meet the responsibilities within the Operations Department and (4) provide funding for a full-time IT Director to not only manage the day to day operations of the Treasurer's office but to begin the process of modernizing the decades-old technology and systems that are woefully inadequate to combat the rising threats of cyberattacks and help implement systems that can make the functions of the office more efficient. These requests will help the office continue to operate in a way that minimizes the risks of spreading our small staff too thinly, provides for professional development, and maximizes our ability to perform our fiduciary responsibilities.

**Plans for the Biennium:**

The Treasurer of State's Office continues to work toward providing Hoosiers with more efficient and effective state government. I have been Treasurer for two years now and am a custodian of a vital statewide office. My predecessors have all led ably and I intend to continue in that tradition. I believe that my biennium budget will:

- Continue its strong investment performance, while emphasizing safety and liquidity.
- Create internal process overlaps to ensure proper management of systems, procedures, and functions.
- Begin to address modern threats, produce greater tech efficiencies within our processes, and produce long-term savings by modernizing and turn a 20th-century office into a 21st-century operation.
- Serve the citizens of the state of Indiana, as well as other state agencies and local units of government.

I will continue to 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.

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. My team and I will put forth our best efforts to maximize the money entrusted to my office by the citizens of Indiana.

Respectfully,

A handwritten signature in cursive script, appearing to read "Daniel M. Elliott".

Daniel M. Elliott
Treasurer of State