Public finance officials “are accustomed to working in the trenches,” said Utah State Treasurer Richard Ellis, 2014 president of the National Association of State Treasurers.

What he means is that state treasurers are often intimately involved in the day-to-day development of their state’s public finance decisions. They handle a wide variety of issues, dealing with everything from pension plans and debt management to the investment of public funds and the administration of college savings plans. In many states, treasurers also provide an important consumer protection function through the administration of unclaimed property programs.

Treasurers act as the watchdogs of the people’s money and, in most states, are elected by their constituents. This check and balance in the executive branch of state government provides an effective oversight mechanism and increased transparency. The treasurer’s office has a wide variety of responsibilities and those responsibilities vary significantly from state to state.

During the Great Recession, some state legislatures expanded the statutory role of the state treasurer to include additional responsibilities. The North Carolina legislature transferred administration of the health plan for teachers and state employees to the state treasurer. In Washington, the state treasurer was added to the state’s Economic and Revenue Forecast Council and was asked to chair the Washington State Commission on Debt.

Another outcome of the recession was state treasurers becoming much more active on the federal level. As they work to protect and enhance their own state’s financial positions, treasurers often find themselves actively involved in finance-related legislative efforts on Capitol Hill. The nation’s state treasurers speak as one voice through the nonprofit, nonpartisan National Association of State Treasurers, also known as NAST.

Ellis has said one of his goals for 2014 is to continue to raise the profile of NAST and the concerns of state treasurers in Washington, D.C. Treasurers are actively involved in a myriad of issues at the federal level, including:

**Tax Reform and Its Effect on States**

For the past 18 months, the nation’s treasurers have been monitoring congressional discussions about tax reform and have expressed their concerns about proposed federal legislation that would repeal the exemption of municipal bond interest, which would increase the cost of purchasing and holding bonds for most investors. State and local governments rely on the issuance of tax-exempt bonds and other tax-advantaged bonds to finance the construction of public infrastructure projects.

State treasurers appealed to Congress through comment letters and testimony during hearings before the House Financial Services Committee. State treasurers will continue to be engaged in monitoring all related tax reform efforts in Washington, D.C., due to the concern that state budgets could be negatively impacted by decisions made at the federal level.

“We need to … make sure we’re at the table in Washington when those discussions are going on,” Ellis said during a 2014 interview with *Municipal Finance Today.*

**Municipal Securities Market**

As investors, states use money market funds as an efficient tool for managing large volumes of short-term liquid assets. Money market funds that seek to maintain a stable value per share are permitted investments for many states. The Securities and
Exchange Commission recently proposed changes to money market funds that would change the way their net asset value is calculated.

Virginia State Treasurer Manju Ganeriwala, the 2013 president of NAST, said in a press release issued in September 2013, “while we appreciate the commission’s efforts to reform the regulation of money market funds, NAST remains concerned that some of the proposed changes will have the unintended consequence of negatively impacting states, cities, counties and other municipal entities.”

In early 2014, NAST submitted a comment letter to the U.S. Department of Treasury, the Board of Governors of the Federal Reserve System and the Federal Deposit Insurance Corporation expressing the treasurers’ concern that a proposal to exclude municipal bonds from the high quality liquid asset definition could make municipal bonds a less attractive investment.

“As state treasurers concerned about the financial strength and integrity of states and all governmental units within our states, we appreciate this opportunity to comment and express our concerns with the proposed rule,” said Ellis, in the comment letter.

Pension Funds

Pension funds have been in the news for several years as states struggle to make their funds sustainable. While some treasurers serve as the sole fiduciaries of their state’s pension fund, others sit on their state’s pension boards.

Ellis said during a 2014 interview with Municipal Finance Today that state treasurers play a role in “helping the public really understand what’s going on in these pension funds.”

Financial Literacy

By virtue of their role as public finance officials, state treasurers are an obvious choice to lead financial literacy efforts. They are viewed as trusted and credible sources of sound financial advice and have long recognized the need for responsible fiscal decision-making for the management of both public funds and personal finances.

Much work remains to be done on this issue. A 2013 study by the Center for Financial Literacy at Champlain College in Burlington, Vt., assigned grades to each state regarding the quality of its financial literacy education. Only seven states received an “A” ranking, while 22 garnered a “D” or “F.”

One highly ranked state in financial literacy is Idaho, home to State Treasurer Ron Crane. As treasurer, Crane uses his office as a bully pulpit to teach students and adults about financial literacy topics. He created a private nonprofit organization that has produced a Smart Women, Smart Money conference for the past 15 years. More than 19,000 women have attended these conferences, learning about everything from creating a budget to estate planning.

Another early leader in financial literacy education is West Virginia State Treasurer John Perdue. Perdue has said he believes it is a treasurer’s duty and responsibility to take the lead in this effort and he’s putting his money where his mouth is. In 2008, Perdue’s office partnered with the West Virginia State Board of Education to implement NetWorth, a comprehensive financial education program designed to teach personal financial management in all of the state’s public schools. In 2009, NetWorth received the Excellence in Financial Literacy Education Award from the Institute on Financial Literacy.

In February 2014, Nevada State Treasurer Kate Marshall testified before the Financial Literacy and Education Commission in Washington, D.C. Marshall discussed some of the programs undertaken in Nevada to raise the financial literacy of Nevada residents.

Many treasurers in other states also have made financial literacy education a priority. Utah’s Ellis serves as chairman of the Utah Council on Financial and Economic Education. This organization serves as a centralized access point for financial literacy information, linking state residents to programs and resources that meet their needs. In fact, Utah was one of the first states to have a requirement for students to take financial literacy courses before graduating from high school.

Ellis believes state treasurers—who are often referred to as the “people’s bankers”—are a natural fit for advocating for financial literacy programs.

Qualified Tuition Programs

Related to financial literacy, many parents have found that paying for their child’s education is one of their greatest financial worries. State treasurers also play a role in assisting families with this financial goal. Many states have created innovative college savings programs designed to meet the needs of their residents. Today, 49 states and the District of Columbia offer qualified tuition programs, commonly called 529 plans.

These plans allow individuals to save money for their child’s education and the earnings are free
from federal taxation if the funds are used to pay for qualified higher education expenses. Many states also offer tax deductions or credits, matching grants, scholarships or other incentives for families to save in 529 plans. Most state treasurers have a role in administering these qualified tuition programs, either through program operations, board responsibilities, investment responsibilities or committee membership.

529 plans come in two forms—prepaid tuition programs and college savings plans. The prepaid tuition program offers families a method to prepay tuition based on current college rates and provides a guarantee that the money will keep pace with tuition inflation. The savings plans are tax-advantaged investment plans designed to encourage saving for the future higher education expenses of a designated beneficiary (typically one’s child or grandchild). All withdrawals from 529 plans for qualified education expenses remain free from federal income tax.

Unclaimed Property
Unclaimed property programs across the United States return millions of dollars each year to their rightful owners. Unclaimed property programs, one of the oldest consumer protection services, are established by state statutes and usually conform to one of the model acts drafted by the Uniform Law Commission.

State treasurers are responsible for the administration of this program in the majority of states. Sometimes referred to as abandoned property, unclaimed property refers to accounts in financial institutions and companies that have had no activity generated or contact with the owner for at least one year or longer, depending on the type of property.

Some of the more common forms of unclaimed property include savings or checking accounts, stocks, uncashed dividends or payroll checks, refunds, traveler’s checks, trust distributions, unredeemed money orders or gift certificates, insurance payments and life insurance policies, annuities, certificates of deposit, customer overpayments, utility security deposits, mineral royalty payments and contents of safe deposit boxes.

Acting in the best interest of consumers, each state has enacted unclaimed property statutes that protect these items from reverting to the company if it has lost contact with the owner. These laws instruct companies to turn over forgotten funds to a state official, who then makes diligent efforts to find the rightful owner or heir. Each year, millions of lost dollars are returned to their owners.

According to the National Association of Unclaimed Property Administrators, state treasurers and other agencies are safeguarding more than $41.7 billion. Claims can be made in perpetuity, in most cases, even by heirs who are able to prove ownership.

Conclusion
While the roles and responsibilities of treasurers are wide and varied, all are of critical importance to the fiscal well-being of their respective states. Sound and profitable investments and prudent debt management make it possible for state budgets to be balanced. Keeping a watchful eye on new regulations posed at the federal level is critical too, as it could help mitigate any unintended consequences on state budgets.

In addition, treasurers’ work on behalf of financial literacy initiatives, college savings plans and unclaimed property helps protect the rights of individual citizens, while assisting them in making the most of their financial reserves.

About the Author
Lisa S. Cleveland serves as the director of communications for the National Association of State Treasurers. A former newspaper reporter, she also previously served as communications director for the Kentucky Secretary of State’s Office and the Kentucky Historical Society.

The National Association of State Treasurers (www.nast.org) is an organization of state financial leaders that encourages the highest ethical standards, promotes education and the exchange of ideas, builds professional relationships, develops standards of excellence and influences public policy for the benefit of the citizens of the states. NAST is an affiliate of The Council of State Governments.