



## TREASURER OF STATE

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Treasurer of State Dennis Milligan's Quarterly Column

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Little Rock- As a small businessman. I have never accepted the phrase, "well, that's the way we've always done it." I have had to constantly strive to find innovations and advancements in order to stay ahead of the competition.

When I was running to be your State Treasurer, I made a promise that I wouldn't accept the status quo and would do the best I could to advance this office to better serve the taxpayers. This was not just a catch phrase. It is an important philosophy because I believe that every extra dollar I can earn on the State's investments is one less dollar that should come out of your pocket.

Once I took office, the first thing I instructed my staff to do was to review the strategies behind how we operate. The Investment Division was a primary target for me due to the scandal Martha Shoffner left behind.

Well, I am excited to report there has been a total transformation of the treasury investment strategy and the fruits of that labor are being harvested. In the past this office would simply invest money into money market accounts, low interest earning certificate of deposits and underperforming bonds. As part of the new active management style we are more diversified. We are investing in high grade commercial paper, an insured cash sweep account and mortgage-backed securities. We also renegotiated the terms of our demand accounts securing better rates.

The result of this active management? I reported to the State Board of Finance that for the first 11 months of this fiscal year (2016) we have receipted \$42.21 million in returns. This is nearly double what we did in fiscal year 2015 (\$22.31 million), and that's with one month still to go!

To put this result into perspective, we have nearly met what was receipted in fiscal year 2005 (\$44 million) and 2009 (\$47.5 million). Interest rates ranged from 1.25% to 3.25% in 2005 and 2% to 0% in 2009. Currently interest rates are at 0.25% and started at 0% this fiscal year.

In short we are doing more with less. We are not just settling for "that's the way we've always done it," but finding new, safe and better investment options that result in a better return for you, the taxpayer.

So, what does this mean for you?

Recently the Governor and Legislature decided to use some of the increased returns to match federal highway dollars. For fiscal year 2017, \$1.5 million of these returns will be used for highways. For fiscal year 2018 and beyond, \$20 million will be used annually.

This means more jobs for Arkansans, better and safer roads, and more than that, places Arkansas in a better position to recruit new industries and careers here. Also this meant no increases in taxes.

Additionally, the Governor and Legislature established the Long Term Reserve Fund, which will act as a savings account for the state. Any funds above the required amounts for the highway plan will go into the Long Term Reserve Fund and will be available for when, not if, there is an economic downturn. This allows my office to build up a reserve not through excess taxes, but with a little more work and earning a better return on the monies we already collect.

This fund will be capped at \$125 million. So, the Long Term Reserve Fund will better position the State to weather a future economic storm without having to dip into the taxpayers' pockets even more.

As the Treasurer of State, my role is to earn the taxpayers the most I can with their money, and it is up to the Governor and Legislature to determine how best to spend our tax dollars. While I don't have an input in the decision making process for spending, I do appreciate that all of this will be accomplished without increasing fees, taxes or cutting programs because my office simply had a change in philosophy and did not accept "that's the way we've always done it." You, the taxpayer are getting the most for your investment dollar, and the State is becoming better positioned to continue to recruit more industry and careers here.

That's not the way it's always been done in the Treasurer's office, but that's the way we are doing things here now. I look forward to continuing to be able to produce these great results and afford the ability of the Governor and Legislature to do more innovative things to better serve the taxpayers of Arkansas.

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