

## Integrity and Accountability: A second term report to the citizens from Treasurer Young Boozer



In 2011 and again in 2015, I pledged to uphold the Constitution of Alabama and serve her citizens with integrity and accountability as State Treasurer. For over six years now we have done just that. Because the people of this state

put their trust in me, I believe it's important to report on what has been accomplished thus far.

### Enable Savings Plan Alabama

One of the most significant new programs to be launched in our state occurred in February 2017. It is the *Enable Savings Plan Alabama*. Enable was created after the federal Achieving a Better Life Experience Act – known as ABLE – passed by Congress in 2014. The Alabama Legislature passed the Alabama ABLE Act in June 2015.

Enable makes it possible for qualifying children and adults in Alabama to experience greater financial independence and security without jeopardizing the public benefits they already may receive through Supplemental Security Income, Medicaid, or other needs-based programs. Offered through the Alabama State Treasurer's office, Enable is made possible through an agreement with the national Enable Savings Plan, which is managed by the Nebraska State Treasurer's Office and First National Bank of Omaha. The Enable Savings Plan offers four investment options for savers with growth, moderate and conservative mutual funds, a bank savings investment option and a checking account option.

We are thrilled to have this program available in Alabama to create financial independence for individuals with disabilities and support quality of life.

Please visit [enableal.com](http://enableal.com) for more information.



Stephanie Miner opening the first *Enable Savings Plan Alabama* account.

### CollegeCounts 529 Savings Program

As State Treasurer, I am chair of Alabama's CollegeCounts 529 Board. The national College Savings Plan Network defines a 529 plan as "a tax-advantaged investment plan designed to encourage saving for the future higher education expenses of a designated beneficiary (typically one's child or grandchild). The plans are named after Section 529 of the Internal Revenue Code and are administered by state agencies and organizations.

Alabama's 529 plan, marketed as CollegeCounts, has experienced extraordinary growth in the past six years. The total number of accounts, which includes those in Alabama and across the nation, has grown from 54,386 to 82,942, representing an increase of more than 52%. Total assets have grown from \$734 million to \$1.487 billion, an increase of more than 102%. But we are especially proud of the growth experienced in Alabama accounts which have increased 231% from 13,730 to 45,500 since 2011.

It is without a doubt, the best way to save for college expenses and it's never too late to start! Visit [collegecounts529.com](http://collegecounts529.com) to learn more or to open an account.

## CollegeCounts Smart Art Contest

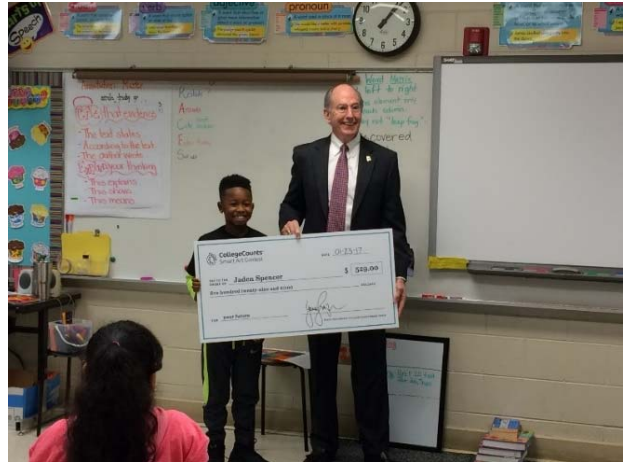
In 2016 we kicked off a new initiative to bring more awareness of the importance of saving for college to an even younger audience with the first CollegeCounts Smart Art Contest. The contest was open to all fourth-grade students attending a public school in the state of Alabama. CollegeCounts, in partnership with the Alabama State Department of Education, and offered a lesson on careers led by their school counselor ending with the students completing a 50-word narrative describing what they want to do after completing college along with accompanying artwork.

Of the participating schools, one student from each school system was chosen as a first-round winner. Their artwork was then sent to the state Capitol and judged in a second round to determine the final statewide winners. Each first-round winner received a \$100 CollegeCounts 529 account contribution.

I had the proud honor of handing out the \$529 contributions to the three grand prize winners in Shelby, Colbert and Marion Counties. These three fourth graders will undoubtedly have impactful lives!

Alabama's 529 college savings program – recently announced the grand prize winners of its Smart Art Contest. John Luke Burns of Cherokee Elementary, Jaden Spencer of Thompson Intermediate and Anna Rhea White of Guin Elementary received an in-person visit from the State Treasurer and a \$529 contribution in CollegeCounts funds.

We wanted this contest to serve as a catalyst for these young students to think early about their goals and let them know those dreams can be achieved. Paying for college can be a daunting task, and we hope this initial investment will encourage continued contribution by each winner and their family.



Jaden Spencer – Winner from Thompson Elementary in Shelby County



Anna Rhea White – Winner from Cherokee Elementary in Colbert County



John Luke Burns – Winner from Guin Elementary in Marion County

### CollegeCounts Scholarship

In November of 2012, the CollegeCounts Board announced the launch of the CollegeCounts Scholarship Program. This program is designed to help needs-based students in Alabama who may find it difficult to get other types of scholarship assistance. It provides one-time awards of \$4,000 to qualified recipients enrolling in four-year schools and \$2,000 to those enrolling in two-year schools. No tax payer funds are used for this scholarship program. Since inception, the program has awarded 1,055 scholarships to Alabama students going to Alabama colleges and universities for a total of \$3,732,000! It is another program working exactly as we intended. Please visit [collegecountsalabama.com](http://collegecountsalabama.com) for more information.

A few of the 308 winners from the 2017 class of scholarship recipients:



LAMP High School in Montgomery – Amber Carter, Michele Nguyen, Jessica Malone



Hillcrest High School in Tuscaloosa – Heather Williams

### Prepaid Affordable College Tuition Program (PACT)

While this program has been closed to new enrollment since 2008, it will continue to pay benefits to the 20,714 remaining contract holders under a Settlement Agreement from 2011. Beginning Summer 2013, PACT was required to pay tuition and qualified fees at fall 2010 rates as certified by each respective Alabama public eligible educational institution. The agreement was negotiated to allow for an increase in benefit payments should the actuarial condition of the PACT program improve. I am proud to report increases have been applied for three consecutive years beginning with an increase of 3.0% in 2015, a 6.0% increase in 2016 and an 8.0% increase in 2017.

The settlement agreement is performing as designed to stabilize a financially struggling program to preserve substantial value and protect the program with a long-term financial plan given the fiscal constraints on the program.

### Unclaimed Property (UCP)

Many Alabamians know the State Treasurer's Office through our Unclaimed Property Program. Each year, millions of dollars in assets are turned over to the Alabama Treasurer's Office by financial institutions and businesses that lose contact with the owners of asset or monies. These assets may be in the

form of cash, stocks, bonds, insurance benefits and even items from safe deposit boxes. The Alabama State Treasury serves as custodian of these assets and makes every effort to return them to the rightful owner or their heirs.

When I began my first term in 2011 one of our goals was to improve the technology for our Unclaimed Property system as deemed necessary by a system that would soon be obsolete. We did our due diligence and purchased our new system that will carry our unclaimed property function well into the future. While much of the capability of a new system is to enhance internal processes, many aspects are also beneficial to the consumer looking for unclaimed funds that might be theirs. The new system was implemented in 2016 and takes advantage of the latest technology and modernization to achieve Treasury's goals of increasing effectiveness and performance and enhancing the security of the database. There will be other enhancements to come as we implement the system's full capabilities.

Since 2011 we have averaged payments of slightly over 13,000 claims to citizens for \$23.6 million on an annual basis. Not only does our office work to unite citizens who have lost assets, but we help all Alabamians with transfers to the State's General Fund which will total \$211 million for fiscal years 2011-2017.

### **Penny Trust Fund**

The Penny Trust Fund is a permanent trust fund that provides for public health initiatives and public school programs. Prior to my first term, the board presiding over the fund had never met in its 20 years of existence. Our team reviewed the law governing the Penny Trust Fund, and, after learning its history, we held the first-ever Penny Trust Fund Board meeting in 2011. Board members voted to modify the fund's investment strategy, giving the Treasurer the options needed to achieve significantly better returns.

The Penny Trust Fund Board of Directors has

met and approved distributions every year since then to **both** the Departments of Education and Public Health as follows:

2012	\$ 5,518
2013	\$ 89,513
2014	\$108,820
2015	\$207,206
2016	\$204,168
2017	\$214,002

This is another governmental program now working as originally intended.

### **Ex Officio Duties**

There are several boards on which I serve by my position as Treasurer, meaning I am an ex officio member. Some of those positions include:

- State Board of Adjustment, Board Chair in 2012 and 2015
- Alabama Housing Finance Authority
- Community Service Grants Executive Commission
- Industrial Access Road and Bridge Corporation Board
- Teacher Retirement System and Employees Retirement System Boards
- 457 Advisory Board

### **Representing Alabama to National Organizations**

As a member of the National Association of State Treasurers (NAST), I currently serve on the Executive, Finance and Banking and Cash Management Committees. My involvement in this organization gives me greater insight into the best practices of other state treasuries and allows information sharing among the states to improve the efforts we all make for the citizens we serve.

I am also a member of the College Savings Plans Network's (CSPN) Executive Board where I am serving a two-year commitment as Chair. CSPN is an affiliate of the National Association of State Treasurers that works to



promote and enhance 529 Plans. It also serves as an information clearinghouse for state-administered college savings programs, like Alabama's CollegeCounts 529 Program and PACT as well as our new Enable program.

### **Cash Management/STAARS**

The Cash Management division serves as the State's bank by recording state deposits, paying state warrants, funding ACH transactions, placing stop payments, investing excess monies and performing other banking functions. Alabama statute encourages the Treasurer to place monies in banks located in Alabama to fund loans to Alabama citizens. We have over \$2.8 billion deposited in more than 100 Alabama banks. The STAARS System, the state's new accounting and resource system, has provided our Cash Management division with greatly improved research capabilities as well as reconciling abilities.

### **Alabama Trust Fund**

The Alabama Trust Fund (ATF) is arguably the state's most valuable financial asset. It is an irrevocable, permanent trust fund for the continuing benefit of the State of Alabama and its citizens. The ATF is primarily made up of oil and gas capital payments from offshore gas production in Alabama's coastal waters. It has significantly supported the State, the General Fund and various other entities for over 30 years.

In the past five years, it has earned an average return of 8.2%, which covers the constitutionally required distributions and grows the principal of the fund. It is well structured and well positioned to fulfill its objective and help meet the financial needs of the State of Alabama.

After the end of fiscal year 2016, the ATF received \$400 million from the proceeds of the State's BP Economic Settlement financing. This represented \$162 million as full repayment from the General Fund Rainy Day Account, and \$238 million as a partial repayment of the amounts due from the General Fund under the 2013 People's Trust Act of the Alabama

Legislature. A remaining amount of \$184 million is owed to the ATF under the People's Trust Act to be paid in installments through 2033 from the General Fund. On December 15, 2016, including these receipts, the ATF total assets were approximately \$3.0 billion.

### **SAFE Program (Security for Alabama Funds Enhancement)**

The Security for Alabama Funds Enhancement, or SAFE Program was established to provide a uniform program for the security of public funds deposited with financial institutions in the State of Alabama that qualify to serve as depositories for public funds. I also serve as Chair of the board of directors for SAFE.

At the mark of the program's 15-year anniversary the Board began the process of revising pledging levels due to the success of the program in managing collateral during bank mergers and acquisitions. In 2017, the rules that allow Alabama banks to reduce their pledging levels in securing public deposits became effective. In addition, the SAFE program was another area that was using obsolete technology that needed to be replaced. Therefore, we integrated a new SAFE system that will be more efficient, provide improved user access and abilities for banks, provide enhanced reporting and be specifically customized to SAFE.

We continue to accomplish great things in the Treasurer's Office. We thank you for the opportunity to serve the people of Alabama.

Respectfully submitted,

Young Boozer  
State Treasurer