INFORMATION BRIEF
Minnesota House of Representatives
Research Department
600 State Office Building
St. Paul, MN 55155

September 1998

Mark Shepard, Legislative Analyst
(651) 296-5051

State Treasurer: Should the Office Be Abolished?

A Proposed Minnesota Constitutional Amendment

This information brief is about the proposed constitutional amendment to abolish the office of state treasurer. The proposed amendment will be submitted to the voters for ratification at the November 1998 general election.

An amendment to the state constitution must be approved by a majority of everyone voting at the general election; voting at the general election but not voting on this question counts the same as voting "no."

The 1998 Legislature proposed a constitutional amendment that would abolish the constitutional office of state treasurer (Laws 1998, chs. 387; and 408, § 24). The question to be presented to the voters at the 1998 general election is:

> "Shall the Minnesota Constitution be amended to abolish the office of state treasurer on the first Monday in January 2003?"

Duties of the Treasurer

Many of the treasurer's duties relate to the systems for collecting, investing, and disbursing state funds. The treasurer's office deals frequently with three other state agencies that are involved in these functions: the Department of Revenue, the Department of Finance, and the State Board of Investment.

The 1998 legislation did not specify what agency would take over the treasurer's duties if the constitutional office is abolished. Rather, the legislation provided for the treasurer, in consultation with the secretary of state and the Commissioner of Finance, to study this issue. If the constitutional amendment is adopted, the treasurer must recommend to the legislature by January 15, 2000, an appropriate agency or constitutional office to receive the treasurer's duties. The treasurer may also recommend any conditions that the treasurer believes should govern the transfer of duties (Laws 1998, ch. 387, art. 2, § 1).

The Minnesota Constitution also currently provides that the treasurer is one of five members of the State Board of Investment (Minn. Const., art. XI, § 8). The board is responsible for investing state funds and most public pension money. The board generally approves overall investment policies and hiring of outside money managers, leaving implementation of the policies to its staff and to the money managers. The proposed constitutional amendment would remove the treasurer from the board, leaving a four-member board: the governor, state auditor, attorney general, and secretary of state.

Pros and Cons

Advocates for abolishing the office contend that:

- The treasurer's office is unnecessarily duplicative. Necessary checks and balances on collection, investment, and disbursements of state funds can be maintained at a lesser cost in existing executive branch agencies without having an elected state treasurer.
- Most of the treasurer's duties are ministerial, not policymaking, and do not require an elected official.
- Accountability and efficiency would be strengthened by centralizing responsibility in an executive office that reports directly to the Governor.

People who favor retaining the treasurer's office argue:

- It is important to retain checks and balances in an office outside of the other executive agencies that are involved in collection, investment, and disbursement of state funds.
- An elected office provides the most independent system of checks and balances and provides the highest degree of accountability to the people.
- The treasurer can be a source of innovative ideas.

Potential Staff and Budget Reductions

Currently the budget of the treasurer's office is approximately $2 million per year. Approximately $1 million per year is for banking services that the state would continue to pay for, even if the treasurer's office were abolished. Much of the remainder of the budget is for staff.

The treasurer's office currently has 13 employees, including the treasurer. Testimony during legislative consideration of the proposed constitutional amendment indicated an expectation that most of these employees would be transferred to another agency if the amendment is approved. Thus, abolition of the office would result in the elimination of the position of the elected state treasurer and possibly one or two other positions. Savings, if these positions were eliminated, likely would be approximately $150,000 per year. Abolishing the office also could save public money used to finance campaigns for treasurer for candidates who agree to spending limits.

Past Studies

Several past studies of state government organization recommended abolishing the elected office of state treasurer (1984 Governor's Task Force on Constitutional Officers; 1968 Governor's Council on Executive Reorganization; 1950 Efficiency in Government Commission; 1948 Constitutional Commission). However, the most recent study made no recommendation on this issue (1992 Commission on Reform and Efficiency).

Other States

The Council of State Governments has compiled the following information on treasurers in other states:

- In 37 states, treasurers are elected by the voters.
- In seven states (Alaska, Hawaii, Michigan, Montana, New Jersey, New York, and Virginia), the governor appoints the treasurer.
- In four states (Maine, Maryland, New Hampshire, and Tennessee), the legislature elects the treasurer.
- In Georgia, the treasurer is appointed by the state depository board.
- Texas recently abolished the office of state treasurer and transferred duties to an elected Comptroller of Public Accounts.