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LOOK TO
THE
STATES



State
Financial
Officers

FOUNDATION

THE
Fiscal Note



A Conversation with Dr. Ben Bernanke

By Jillean J. Battle

As the 2016 summer came to a close, institutional fiduciaries and financial strategist from around the world gathered at the eighth annual Public Funds Forum in the beautiful mountains of Park City, Utah to discuss emerging trends in the financial sector, effective fund governance, and current issues facing the global economy.

Guests of the conference were provided access to a forum that invited novel ideas, thoughtful questions, and legitimate concerns. The symposium was educational. Better yet, it was honest and eye-opening. I had the opportunity of a life time when I helped moderate a conversation with Times Magazine's 2009 Person of the Year and former Fed. Chairman, Dr. Ben Bernanke.

We all had questions for the good doctor. And our conversation was invaluable and timely, especially considering that our nation is currently navigating through a period of social unrest, and economic and political uncertainty. No stranger to trying times, Dr. Bernanke, with a humbled heart, mesmerized the crowd with his candor.

An expert on the Great Depression, the Chairman recalled finding it necessary to utilize imagination and experimentation to mitigate the impact of the 2008 financial crisis. Bernanke's leadership seemed to mirror the courage of our beloved 16th President, who once remarked "when the occasion is piled high with difficulty, we must rise to the occasion."

During his tenure with the Federal Reserves,



From the President



Fall has arrived and so has our second issue of *The Fiscal Note*! In this issue you will find an article from Johnathan Williams regarding a favorable trend among a majority of our nation's governors regarding tax policy. You'll also read about Indiana Deputy Treasurer Jillean Battle's first-hand experience who had the opportunity to interview Dr. Ben Bernanke at a conference in September. And finally you'll read more from transparency guru Adam Andrzejewski about how OpenTheBooks.com uncovered the incredible \$20 Million art scandal at the U.S. Department of Veterans Affairs

Our goal continues to work with members of the private sector to develop best-practices and help our state financial officers implement them. As this newsletter is published, we will be hosting our 4th Annual Fall Meeting October 5-7 in Chicago. SFOF continues to grow and we invite you to join us! A big THANK YOU to our private sector partners for all they do to support SFOF.

As always if you have any questions about SFOF or topic suggestions for future issues please don't hesitate to contact me.

A handwritten signature in black ink that reads "Dan Kiefer".

From the Chair



On behalf of my colleagues and our State Financial Officers Foundation members I want to personally thank you for taking the time to read SFOF's official newsletter, *The Fiscal Note*.

We hope that you will consider getting involved with SFOF, as many of our members have found our time together to be productive and educational. We value the opportunity to have an open dialogue – public AND private sector members working together to create free-market solutions to some of our nation's largest financial issues. *The Fiscal Note* is being sent to a financial officer in every state in our country, as well as many partnering organizations, and private sector members.

I have had the privilege to serve as SFOF Chair for the past two years. As my term draws to an end, at our 2016 Fall meeting, I want to personally thank you for the many ways you have contributed to the State Financial Officers Foundation to make it the success it is today. Never did we imagine a round table discussion by a few of us would result into something this successful and certainly something we can all be proud of.

Many of you have shown me a great deal of kindness over the past two years. I will come away from my time as chair a better public servant, a better Treasurer, and a better person because of the great relationships that have been built over the years with SFOF. I leave my post with many warm memories of our time together – and I am truly grateful.

Warmest wishes to each of you,

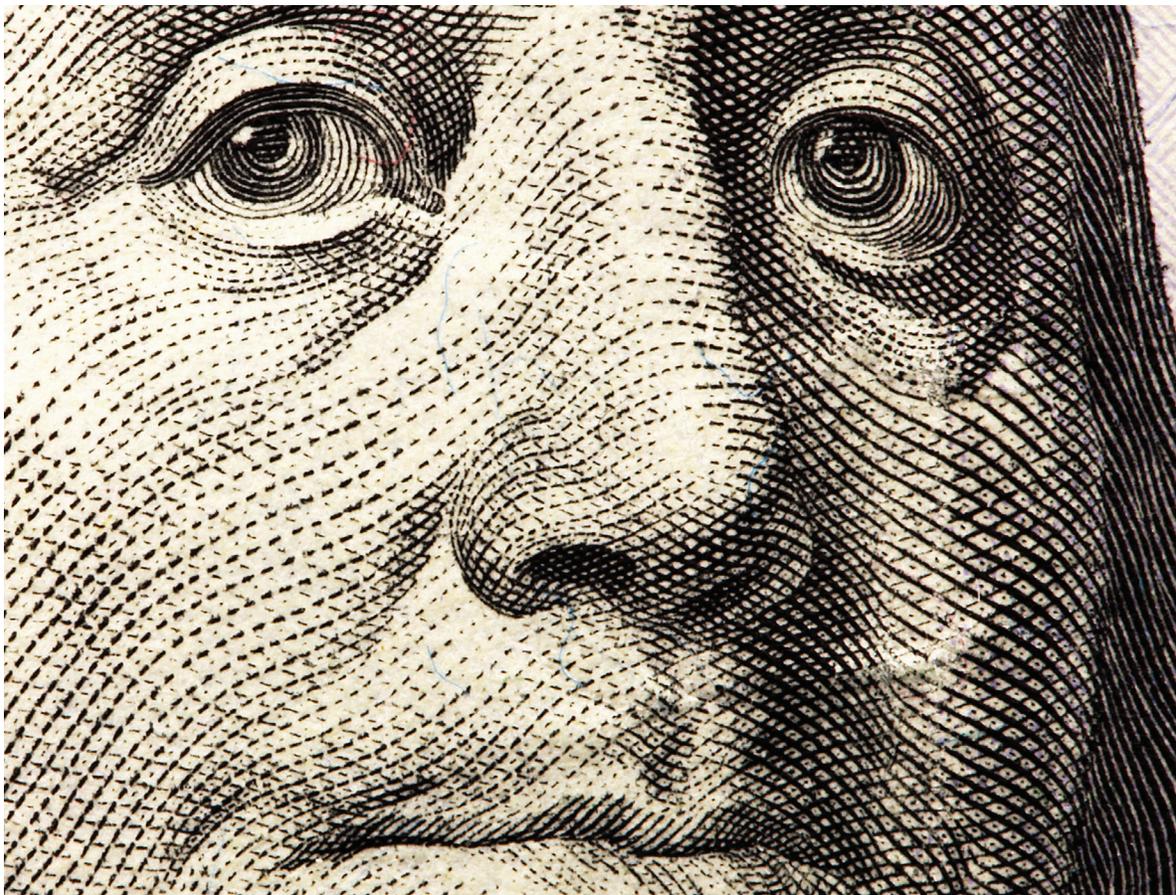
A handwritten signature in black ink that reads "Kelly Schmidt".

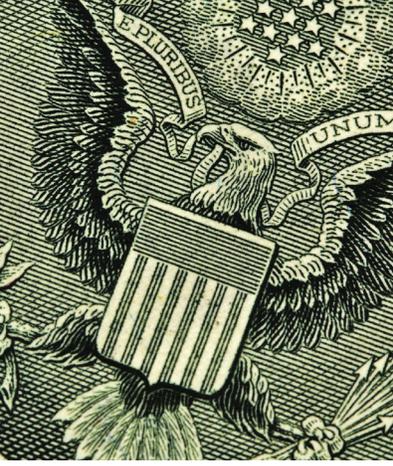


Photo: Jillean J. Battle
(middle) in interview

Bernanke experienced his darkest hour when he realized that he shouldered the great task of executing a plan to solve America's failing financial system. The risk of failure was high. The consequences were catastrophic. Others in his position, particularly the passive financial leadership of the 1930s, failed to look beyond precedent. "As our case is new, so we must think anew, and act anew." Uncertainty doesn't spell doom. Both President Lincoln and Chairman Bernanke's leadership demonstrated that when systems falter, and answers are desperately sought, we can decide that it means we are defeated or that we are simply presented with an opportunity to chart a new course. [↗](#)

Jillean J. Battle is the Chief Deputy Treasurer of State and General Counsel for the Office of the Treasurer of State in Indianapolis, IN.





How the Governors Discussed Economic Policy in 2016

By Jonathan Williams



This year, 44 governors delivered a State of the State or equivalent budget address. In the second edition of its annual State of the States report, the Center for State Fiscal Reform at the American Legislative Exchange Council (ALEC) reviewed the economic policy proposals discussed in each governor's address.

Of course, nothing is more important than the ultimate actions of state executives. However, much can be learned from what they say as well. In surveying the governors' most recent State of the State addresses, a clear trend emerges: Despite a weak national economic recovery and the energy sector's downturn impacting state budgets, many governors stayed true to pro-growth, limited government principles. That is truly cheerful news for hardworking taxpayers.

Of the 44 governors who gave addresses this year, 19 made significant comments on tax policy. The majority of the proposals were to decrease the burden on taxpayers, the most common being reducing income taxes. As even liberal Jerry Brown of California noted in his address, income taxes are a volatile source of state revenue. Taxes on capital are not only volatile but also are the most economically harmful type of levy. Thankfully, governors are pivoting away from income taxes – as there were 13 separate proposals to cut taxes on capital, compared to only two proposals to increase them.

The majority of governors seem to understand that lower tax rates and prioritized spending give citizens and businesses a greater incentive to reside and operate in their states. This dynamic is fully explored in the Center for State Fiscal Reform's *Rich States, Poor States: ALEC-Laffer State Economic Competitiveness Index*, in which years of economic data and empirical evidence from each state are examined in order to determine what economic policies generate the best results. Based on the observations made in reviewing the 2016 State of the State addresses, many governors are following these free market policies to help their states better compete for residents, jobs and capital. [↗](#)

Jonathan Williams serves as vice president of the Center for State Fiscal Reform at the American Legislative Exchange Council and is a co-author of the annual book, Rich States, Poor States.

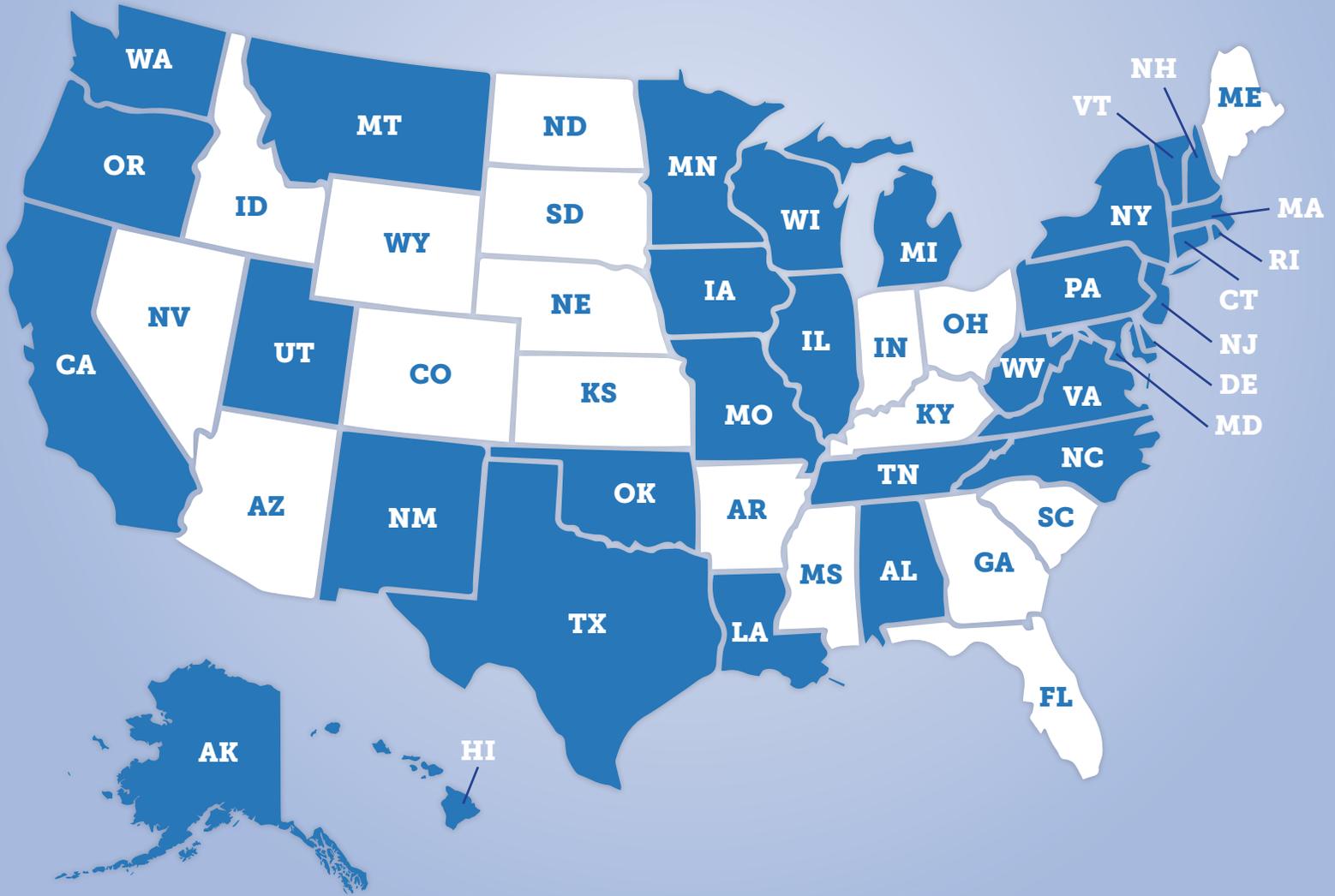
You can follow him on Twitter @taxeconomist.



IS YOUR STATE REPRESENTED?

State Financial Officer
Member States

Non-Member
States





\$19.67 MILLION

ARTWORK PURCHASED BY VETERANS AFFAIRS
(FY2004–FY2014)



*Plus, \$2 million in 'Special Projects' since 2009



The VA's \$20 Million Art Collection

By Adam Andrzejewski

Over the past two months, veterans, watchdogs, national media, and powerful politicians in Congress challenged the VA over their \$20 million in high-end art expenditures during a period when 1,000 veterans died without seeing a doctor.

For years, the VA art collection was curated without constraints. Our oversight audit, published at Forbes, not only exposed this spending but also laid-bare a procurement process the VA now admits was without rules or controls.

For example, a VA facility dedicated to serving blind - yes blind - veterans spent \$670,000 for two commissioned sculptures. Just last month, a VA spokesperson stood in front of the infamous \$1.2 million “cubed-rock” sculpture in Palo Alto, CA and argued that this type of artwork “creates a healing environment.”

The public outcry regarding these decisions created an easy opportunity for the VA to institute commonsense reforms. So, how did the VA do?

First, Senate Judiciary Chairman Sen. Charles Grassley (R-IA) wrote VA Secretary Robert McDonald an oversight letter demanding answers. Earlier this month, Grassley received an

apology regarding the \$6 million spent on art at the VA Palo Alto facility:

“In the case of Palo Alto, the dollar amount to acquire single pieces and/or types of commissioned artwork appeared to be excessive ... We acknowledge the poor decision making regarding artwork purchases at Palo Alto.”

Second, the VA finally instituted official rules regulating the purchase of artwork on a go forward basis. But, here's the problem: the new rules are weakly designed, and don't stop future luxury art purchases. The VA now merely requires just a few more administrators to sign-off on the transactions.

Third, the VA continues to argue that “artwork creates a healing environment” while ignoring our reform that calls for veterans' artwork be displayed in veterans' medical facilities.

The VA 'reforms' look more and more like a Cold War shakeup at the Politburo. [↗](#)

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Adam Andrzejewski is the Founder and CEO of [OpenTheBooks.com](#).

A longer version of this article appeared at [Forbes](#).



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