

## **Make a Difference, Be Civil, And Think Long-Term**

### **Administrator of the Year 2003**

By Edward T. Alter

I appreciate receiving this honor. I love working in the public sector and enjoy the opportunity to serve and the chance to do things that are new, different, and challenging. I take great satisfaction, as you students will, in being able to innovate and improve the way our predecessors did things. It's an honor to serve in the public sector. There is no higher calling than serving your neighbors, friends, and fellow citizens. There is no higher trust than public trust.

I have three thoughts I would like to leave with you: First, you are in a wonderful position to make a difference; second, I urge all of you to keep statesmanship and civility in mind as you serve in the public arena; and third, I believe we need to look ahead and think more about the long-term.

#### **Make a Difference**

The public sector needs innovators with your great talent and superior training. It's where you have the highest opportunity to make a meaningful contribution. You have better technical tools than any generation of administrators who have come before you.

I had the opposite feelings when I began my public accounting career in Los Angeles, California. I felt the professional I worked with knew so much more about management consulting and auditing than I did. It took years before I felt I could do the work better than it had been done before.

The public sector will be different for you. While in some cases governmental entities are modern and efficient, most of them, especially the small ones, are struggling to catch up with the industry's best practices. Government needs your talent, brains, skills, systems, procedures, priorities, efficiency, and your new vision.

A major part of the satisfaction I've received in my public career comes from being part of several innovations, like the Public Treasurers Investment Pool. Shortly after I took office in 1981, I became aware that many Utah public treasurers didn't fully invest the money they were responsible for handling. Many of the treasurers in cities, towns, school districts, water districts, sewer districts, etc. simply left money idle in checking accounts carrying no interest. They felt that their balances were too small. They hadn't been trained in investing, had no broker contacts they could trust, were under political pressure to keep money in their local bands, or were afraid of tying their money up and not having sufficient liquidity.

Some of the larger public treasurers failed to invest significant portions of the funds available to them for lack of a convenient investment vehicle. We decided to create in the State Treasurer's Office, a pooled investment fund that would perform much like a short-term money market mutual fund. Any public treasurers who had funds to invest could send them to the State Treasurer's Office, where they would be invested in a pool with similar money from other public treasurers. We knew that a pooled investment program would offer many advantages:

- We would have a full-time, professional investment officer.
- We would have economies of scale working with large dollar amounts.

- We could offer the highest interest rates available on investments legal for public treasurers.
- We could offer daily liquidity so that money could be sent in or withdrawn at any time.
- We could provide a monthly statement detailing all transactions and interest earned.

I spoke to public treasurers around the state to remind them that they had the same responsibility to maximize their interest earnings as I did. The only difference was the dollar amounts. I told them that even if they only had a few thousand dollars to invest, it shouldn't be left idle- the interest earnings in just a few years might be enough to purchase an office typewriter or computer. As it developed, the pool offered additional advantages: It was electronic so no paper was generated, except for the monthly statement, and it allowed the state to transfer money directly to the accounts of cities, counties, and school districts without sending check in the mail. The pool also enabled multiple accounts to segregate different types of money:

- It produced great portfolio diversification being part of a large pool of many securities.
- It required no minimum balance- no amount was too small to participate.
- It dispensed with the need to do a cash flow forecast, as money was available every day.
- It was so efficient that the management fee was only one or two basis points.

We originally thought that if we attracted \$200-\$300 million to the pool it would be a smashing success. We have \$5.7 billion in the pool from five hundred public treasurers representing at least 80 percent of the state public funds. All of our depositors have telephone and internet access to their funds and enjoy the unbeatable combination of daily liquidity while earning the sixty-day market rate. I get great satisfaction knowing this public money has been put to work earning the highest possible rate, even if it is only about two percent in today's interest rate environment.

As State Treasurer, I have been involved with other innovations. We were the first state in the country to sell our bonds by electronic bidding, a process we pioneered in conjunction with Bloomberg Terminal Service. We were the first municipal issuers in the country to issue book entry-only bonds- bonds issued electronically. Both of these bond innovations have quickly become industry standards. We created a School Bond Guarantee program for the benefit of our local school districts. The state uses its highest possible AAA bond rating to guarantee the general obligation bonds of local school districts so their bonds can be sold with an AAA rating too. School districts have sold more than \$1.4 billion bonds at much lower interest rates as a result of this guarantee, and they have been able to save at least \$50 million of borrowing costs in the past six years with this program.

I've tried to work the small public treasurers in the state to help them improve their effectiveness. The state auditor and I once spoke to a meeting of the League of Cities and Towns about internal control in the treasurer's office. We were promoting the idea of separation of duties- where no single employee has access to the whole accounting process for cash receipts. We suggested that one employee should have access to incoming mail; two people should be present while opening envelopes; all checks should be promptly be restrictively endorsed; one person should prepare the deposit and another should check it for accuracy and different people should make the entries to the accounting system.

After the meeting, one treasurer said, "I enjoyed your discussion, but do you want to know how it really works in a small town?" She explained that she was a housewife who had been drafted

to help out as town treasurer. She went into the office two afternoons a week. Mail accumulated in the inbox, and she opened it when she got there because she was always alone. Sometimes she found cash in an envelope with a name on it and had to look up the person's account to determine whether the payment was for water or sewer. The mayor was never there to review the process because he was also part time. She always made up the deposit herself and threw it in her car's back seat until she had a chance to drop it by the bank. Sometimes, because it was after hours or more convenient, neighbors would drop off utility payments at her house, which she would later take back to the office. Sometimes she was not home so they would leave payments with her husband or her eight-year-old daughter. Sometimes the treasurer would find payment envelopes taped to the screen door. So much for fancy internal controls! All I could tell her was that we were trying to teach sound principles and good practices. They would have to be implemented as they best fit individual circumstances.

If you choose to service in the public sector, you will have the opportunity to invent and innovate and do things better than anyone before you has ever done. It will bring you great satisfaction.

### **Remember Statesmanship and Civility**

My seconds thought for the evening is a brief plea with all of you to keep statesmanship and civility in mind as you serve in the public arena. We need to be polite, civil, and gracious. All of us have political preferences, inherent in which are different ideas as to the proper role of government. We need to be able to discuss those differences in a civil way. Unfortunately, it is my observation in recent years that people have become polarized.

Some in the public arena advocate only a single position and have become more strident in their approach. Some speak with shrill voices just to be heard. Others really don't know how to have a civil disagreement. Some are not even polite, devolving to personal attacks and mean comments. We need to rise above that kind of behavior. It pollutes the atmosphere of government and politics. It negatively affects the ability to work cordially together. We need a lot more bipartisan cooperation. We need to show class in all we do.

We also need to judge ideas on their merit and treat people with equal respect. I had a good friend who ran for the state legislature several years ago and was elected to the House of Representatives. She sponsored what she thought was a fairly significant piece of legislation, but she couldn't figure out why her legislation went nowhere. She came to me for help. I went to some of my contacts, and I came back and reluctantly explained, "The truth is they're not going to allow a freshman, democrat woman to pass a significant piece of legislation this session. You're going to need to try again next year." Legislative ideas need to be judged on their merit, not source. Bipartisanship and cooperation are superior to discrimination and arbitrariness in terms of dealing with issues that have merit and the right to be heard.

One of the best examples of bipartisanship I know occurred in 1974 the passage of the State Money Management Act. It creates a statutory framework for the activities of all state public treasurers. All of us work under the same rules and have exactly the same statute to follow. But how did the Money Management Act come about? The main sponsor was Hughes Brockbank, a true statesman of thirty years ago. He went across the aisle to his good democrat friend, Merrill Jenkins from Odgen, and said, "Merrill, this issue is not partisan. It's a matter of getting good management of public funds, and it is something bigger than both of us. It's something the state

needs, and we should sponsor this together to take any partisan talk out of what otherwise might be a tough piece of legislation.”

Working together, they sponsored what is now the backbone for the administration of all public funds in the State of Utah. That’s the kind of cooperation, bipartisanship, and statesmanship we need more of, but unfortunately, there seems to be less of it in recent years. Today, we are much more likely to see each political party with its own version of the same bill. There are many politicians on our Capitol Hill, but not many statesman. Lawrence W. Reed wrote:

“What qualifies a statesman? He or she doesn’t seek public office for personal gain or because it’s the only job he knows how to do. In fact, like ancient Rome’s Cincinnatus or America’s own George Washington, the statesman takes time out from a life of accomplishment to serve the general welfare. He stands for principled vision, not for what he thinks citizens will fall for. He is well informed about the vicissitudes of human nature, the lessons of history, the role of ideas and the economies of the marketplace. He is a truth-seeker, which means he is more likely to do what’s right than what might be politically popular at the moment. You know where he stands because he just says what he means and he means what he says. He elevates public discussion because he knows what he’s talking about and he does not engage in class warfare or other divisive or partisan tactics that pull people apart. He does not cynically buy votes with the money his taxes take from others. He may even judge his greatest success in office as much by how many laws he repealed as by how many he passed.”

That’s the spirit with which all of us need to serve, the spirit to be known for and to be part of.

I can relate one good example of bipartisanship in Utah’s last legislative session. Representative Steve Mascaro, a republican, and Senator Pat Jones, a democrat, teamed up to introduce the tough subject of the need to enhance revenue- raising taxes. They floated several ideas, held several press conferences, and initiated a lot of interesting dialogue. They engendered good public debate on the fairness and the equity of our current tax structure. Their proposals did not ultimately succeed, but the dialogue was polite and civil. I even appeared with them on the Civic Dialogue program on KUED TV as an example of how people can discuss a very tough subject, even disagree on its resolution, but in a pleasant way. That’s the attitude we need when serving, to be inclusive and polite.

### **Think in the Long-Term**

My third thought is that we need to be more long-term in our thinking. Government has a natural tendency to take the short view. Those who have spending power have two questions: “How much money do we have?” and “How are we going to spend it?” That doesn’t leave much room for farsightedness or for adjusting our plans, budgets, and programs to where they need to be for future growth. Most of the time we only care about solving today’s crisis.

One long-term program is the State Land Trust Fund. The state was given by the federal government at statehood approximately 7.5 million acres of land, which was intended to compensate for the fact that 68 percent of the land in this state is owned by the federal government and cannot be taxed to support the school system. That is quite unlike eastern states, in which essentially all of the land in the state is privately owned and taxed for the support of public schools. Over the years, more than four million acres of that land has been traded or sold and the money put in the State Land Trust Fund.

Unfortunately, the legislature over the years has dipped into that fund over and over again and in 1986 we realized we only had \$19 million in our permanent trust fund to show for the four million acres that had been sold or traded away. Other western states have permanent endowments of hundreds of millions or even billions of dollars. A number of us were worried about future education funding and decided that we had to stop squandering our land endowment. I worked with an education coalition to sponsor three different amendments to the Constitution of the State of Utah to protect that fund, make it permanent, and inviolate so the legislature cannot touch it without a vote of the people. We also changed the statute about the administration of that money four times. Changing a statute is hard; changing a state constitution is monumental. But, with those changes and better management of the land itself, we have been able to start accumulating a permanent fund again.

We now have more than \$350 million in the permanent fund. The income goes directly to schools as new, incremental money. This is over and above the funding that comes in from the state as an appropriation for the regular school support. This income goes directly to each local school and can be spent by the school for any local priority: books, equipment, uniforms, or programs. The state land trust money has added \$6,000 to \$15,000 extra for each school to fund its critical needs.

Another opportunity for long-term thinking involved the tobacco settlement money. Utah participated in a class action suit against the major tobacco companies for compensation for health care costs that had been incurred by the state because of smoking. Our share of the settlement amounts to about \$38 million a year. The grand total for Utah for more than thirty-seven years projected life of this agreement was \$1.4 billion. I suggested the state put the money into an endowment fund, a permanent trust fund, and give it protection. We could let it grow and compound, and produce additional revenue for the state each year that could be spent for health care for our citizens or cancer research or in smoking mitigation or any other program we wanted, but we'd have to preserve the principle and let it build up and compound.

I projected that if we compound this money for one hundred years at eight percent we would have a permanent trust fund of \$1.8 trillion figure, the legislature scoffed, and, unable to focus very far into the future, they concentrated instead on current needs. When new money shows up on Capitol Hill there's a feeding frenzy of people who have programs and ideas that desperately need funding. It was certainly an uphill battle fighting for that \$1.4 billion to be set aside and not spent.

Ultimately, the legislature gave half the money to spending programs, mostly for health care and smoking mitigation, and the other half to set up the permanent trust fund for which I was fighting. That's the good news. The bad news is that the legislature spent all of the \$44 million we had managed to accumulate in the trust fund to balance the budget when they ran short of revenue last year. Although we thought the money was constitutionally protected, when it came to crunch time, the legislature spent the \$44 million permanent fund without much discussion.

The only bright spot is that we will get more tobacco money and will start accumulating money again in the so-called permanent tobacco trust fund. I hope to convince the legislature to take a long-term view and leave it alone so we can accumulate a nest egg.

We have a number of large problems emerging in the state. In the next decade, we're going to have to accommodate one hundred thousand new students in our public schools. That's a

tremendous financial burden, and we're going to need a carefully thought-out tax and revenue producing system to afford that. We have increasing health care costs. Medicaid costs are going up at a double-digit pace again. Because the stock market has caused three poor investment years in the state pension fund, the state's contribution to the pension fund is going to have to be increased in the next several years. Prison populations have begun to grow again, and we have serious highway needs. We're going to have a tough time prioritizing all of these. It will require wisdom and a bipartisan effort to balance these needs.

We need bipartisanship and civil dialogue to encourage our fellow citizens to broadly participate in government. We can't let our fellow citizens get discouraged with the democratic process because we don't comport ourselves well. We will need better communication and cooperation to run our governments well, and you are the ones that will do that.

Before I finish, I want to ask you for a privilege. I'm going to ask my mother, Norma, to come up here. She's probably not going to easily forgive me for this. She's 95-years-old and has lived a long and productive life. She was a great seamstress and enjoyed reading. She loves genealogy work, but she's been legally blind for more than ten years, so she can't do those things. Since my father passed away, she's decided what should be the meaning of her life. One day each week she gets a ride from Bountiful to Salt Lake City and spends the day as a Pioneer Museum guide. She gives tours through the museum- I hope that they don't change any of the exhibits there without telling her because she hasn't seen them in years. At the end of her shift, she walks to the bus station and asks a stranger to help her get to bus number seventy-one. Then she rides the bus back out to Bountiful and walks up the hill to her home. She also volunteers each week at the care center in Bountiful. The care center is only a few blocks from her home, so she can walk there alone. She's the oldest person at the center, but she's not there to receive care, but to give it. It's one of her great joys. Tell us, Mom, what you do at the care center.

*Norma:* We have service activities and lessons for the sixty-five women who are in wheelchairs. We gather them and wheel them to the room where they have their meeting. It's an important part of their social interaction.

*Ed:* These women have a ninety-five year old blind woman pushing them in their wheelchairs!

*Norma:* I spend time being friends to the ladies because so many of them don't see their families much and are so lonely, they really need someone to pay some attention to them. But then I go upstairs to the children. I had a patriarchal blessing that said I would teach the little children, so I said to myself that I'd better go with it. I go upstairs to the little children who are permanently disabled. Some of them don't have any parents and other don't see their parents who are far away. I try to be a friend to those little children. Most of them can't speak or even respond. Some will never be able to do anything on their own. One little boy was shaken when he was born and his brain didn't develop properly. A car hit another little boy when he was eight. He's sixteen now and can't be taught either. I hold the little ones on my lap and rock them or I hold their hands and their little arms and legs. I sing too, but I don't know if they can hear me. I sometimes think that there is a little spirit in their just bursting to get out, but it just can't find a way. I just try to be a friend and someone they can depend on every week.

*Ed:* Thanks, Mom. You see why my mother is an inspiration to me. May we all find our own way to give something back to society. Thank you again for this wonderful award and for this memorable day.