



THE HONORABLE CURTIS M. LOFTIS, JR.
State Treasurer

April 4, 2024

The Honorable Larry K. Grooms
Chairman of the Constitutional Subcommittee
of the Senate Finance Committee
313 Gressette Building
Columbia, South Carolina 29201

OFFICIAL ELECTRONIC MAIL SENT VIA EMAIL.

Mr. Chairman and Subcommittee Members:

This letter is in reference to the hearing of the Constitutional Subcommittee hearing held April 2, 2024. As you will recall, the Subcommittee members' questions of me during the hearing covered a myriad of complex and granular topics, some of which I spoke to based on approximation or memory. I have reviewed my testimony with my staff to ensure that it was accurate. It is difficult to assess every statement because, at times, the context or premise of the discussion appears to have been undermined by mutual misunderstandings. Nevertheless, after review, I submit the following clarifications:

- The State Treasurer's Office never "lost track" of the \$1.8 billion in fund 30350993; it was part of a pool of money which the State Treasurer's Office had always accounted for, invested, and held for the State's use. Likewise, the Comptroller General's office did not "find" this money; it simply discovered an amount of money for which it could not explain the origin or purpose. When I said that I did not know about the \$1.8 billion until July 2023, I was referring to the fact that I did not know that the former Comptroller General had used fund 30350993 to offset his overstatement.
- My office is and always has been in compliance with the reporting requirements of S.C. Code Ann. §§ 11-5-120, 170 and 180, as they have traditionally been interpreted. In fact, no one has ever objected to the adequacy of these disclosures or asked for additional information until after the Comptroller General made the ACFR restatement in 2023. In the hearing, I understood the Subcommittee to be informing me that the Comptroller

General and the General Assembly had re-interpreted these statutes, imposing new and different disclosure obligations. When I stated in the hearing that the State Treasurer's Office is not in compliance with these reporting requirements, I meant that my office had not yet had the opportunity to change its reporting procedures in accordance with the re-interpretation articulated to me at the hearing. We are now working toward devising a secure means of complying with these new disclosure obligations.

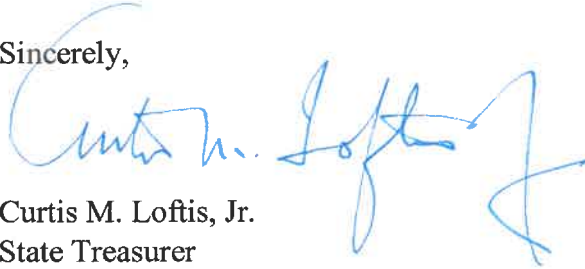
- Regarding rating agency communications, STO Debt Division staff and leadership had interactions with the three rating agencies (S&P, Moody's, and Fitch) in the course of conducting the ordinary business of issuing the state's debt. Since November 2023, staff have had meetings or conversations with all three rating agencies. On January 19, 2014, Fitch published its rating of South Carolina affirming South Carolina's AAA Stable Rating. On March 22, 2024, S&P published its rating report affirming South Carolina's AA+ Stable Rating. Most recently calls were conducted to discuss upcoming debt issuances.
- Goldman Sachs is not currently used as a banking partner by the State Treasurer's Office; however, the State may purchase bonds from Goldman Sachs as a broker dealer through its investment manager.
- A spreadsheet provided to me during the hearing by the Subcommittee incorrectly showed a \$30 billion fund balance for fund 30350993. This printout vastly overstated the balance because it failed to include account 1000000000, a "splitter" account which accounts for offsetting debits, in the subtotal. As shown in the report I provided in response, once account 1000000000 is correctly factored in, the subtotal equals \$1.8 billion.
- Regarding a Subcommittee member's assertion that the State could owe the federal government interest, the State Treasurer's Office has implemented the reconciliation procedures established by the Cash Management Improvement Act, 31 U.S.C. §§ 6501 and 6503, and in accordance with the Cash Management Improvement Act Agreement between the State of South Carolina and the United States Department of the Treasury. As such, it is extremely unlikely that the \$1.8 billion in question is composed of federal funds, or that the State owes the federal government interest on any funds therein.
- There were questions about State Treasurer's Office staffing levels and personnel requests. The STO has 68 filled FTEs and 83 authorized FTEs. STO requested 6 additional FTEs in our FY 2024-25 budget request. During the FY 2021-22 the STO requested 2.93 FTEs. With regards to the question regarding when the STO first had four attorneys in house, the testimony was an approximation. The STO has had four attorneys since 2018.

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- The STO turnover rate is not 30% as was stated by one of the senators in the hearing. The STO's 10-year average turnover was 19%.

I intend to provide additional information to the Subcommittee in short order, but I wanted to provide these clarifications as soon as possible.

Sincerely,

A handwritten signature in blue ink, appearing to read "Curtis M. Loftis, Jr.", written in a cursive style.

Curtis M. Loftis, Jr.
State Treasurer

cc: The Honorable Thomas McElveen
The Honorable Mike Fanning
The Honorable Stephen Goldfinch
The Honorable Tom Young
The Honorable Margie Bright Matthews