

Ron Crane My office did not lose \$27 million

Ron Crane/Idaho state treasurer

Managing the state of Idaho's finances for maximum gain carries all the same risks and rewards as your 401(k) retirement fund and individual stock portfolio. After all, we all invest in the same markets that rise and fall based on the strength of our economy and consumer confidence.

Let's suppose you go to your financial advisor and invest \$1,000 in a mutual fund with the expectation that you are going to earn \$200 in interest income during the next year. But the market conditions change and you only earn \$100 in interest earnings. Would you have lost money? Your answer is no. What you lost was "opportunity" money.

However, opportunity money is not real cash. You can't budget or spend "opportunity" money. I deal with cash - not lost "opportunity" - and it is unfair to write stories with headlines saying the state treasurer lost \$27 million - especially when they know better.

The recent criticism of me and the state treasurer's office by a Legislative Services Office audit was unfounded and shows a general misunderstanding of the investment process in terms of losses and gains. The LSO looked at the potential losses we experienced in 2008 and 2009, during the most volatile market conditions since the Great Depression.

While our investments experienced the same rollercoaster ride that yours did, we chose to ride out the storm. Had we sold our assets at the time, we would have experienced a loss of more than \$10 million, which LSO insinuates we did. First and foremost, my office's investments actually made the state a net profit of more than \$122,000 when we sold the troubled assets in Fiscal Year 2013.

Secondly, LSO claims there are \$17 million in additional potential losses as a result of our investments. Again, these are not losses until we sell the asset, especially considering our portfolio is headed in the right direction and we have no intention of legitimizing any declines by selling those investments now.

When the state endowment fund lost \$200 million during the downturned economy, did anyone encourage them to sell all their investments? No way. When the Public Employee Retirement System of Idaho fund went down in value by \$1.5 billion, was there a cry of "foul play?" Should they have sold their investments and folded their tent? Absolutely not. They held steady and rode out the storm and it proved to be a good decision.

My office has done an outstanding job navigating turbulent economic waters by protecting our assets and we will continue to do so. Instead of focusing on the losses that could have been, LSO should be focusing on the bigger picture - that my office has avoided dipping into the principle of the investments and mitigated any losses with portfolio gains.

That is the kind of fiscal responsibility that Idahoans expect of their state treasurer.

Crane is serving his fourth term as state treasurer.