



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #159

### **Funding for Investment Fund Fees (Budget Management and Compensation Reserves)**

[LFB 2013-15 Budget Summary: Page 308, #1 and #2]

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#### **CURRENT LAW**

Cash balances of the state's general fund and various segregated funds are invested by the Investment Board as part of the state investment fund. Each of these funds is charged banking fees by the state's working bank based on its daily transactions. For most funds, these fees slightly reduce their interest earnings. For the general fund, banking fees totaled \$1.6 million in 2011-12 and are estimated at \$1.5 million in 2012-13, due to the large number of transactions associated with general fund programs. These fees exceed general fund interest earnings, and in the 2011-13 biennium, for budgetary purposes, estimated payments associated with these fees were assigned to an existing sum sufficient appropriation for interest payments from the general fund to segregated funds. Base level funding in this appropriation totals \$1,300,000 GPR.

#### **GOVERNOR**

Provide \$593,000 GPR in 2013-14 and \$934,500 GPR in 2014-15 in the appropriation for interest payments to SEG funds. With these increases, funding in this appropriation would total \$1,893,000 in 2013-14 and \$2,234,500 in 2014-15.

Create a GPR sum sufficient appropriation for the payment of fees to financial institutions relating to investment of moneys in the general fund in the state investment fund, excluding program revenue accounts under the UW System, that are not otherwise paid from earnings on those moneys.

#### **MODIFICATION**

Shift \$1,500,000 of annual funding from the current appropriation for interest payments

to segregated funds to the proposed appropriation for banking fees. Reduce the remaining funding in the current appropriation for general fund interest payments to SEG funds by \$93,000 in 2013-14 and \$134,500 in 2014-15, to reflect a reestimate of those payments.

**Explanation:** AB 40 would create a GPR appropriation for banking fees to align the appropriation with the spending purpose. Under this provision, there would be a separate appropriation to pay for the amount of banking fees that exceed general fund interest earnings. However, all of the funding in AB 40 was left in the existing appropriation for interest payments to SEG funds. This modification would transfer \$1,500,000 GPR annually to the proposed banking fees appropriation. In addition, general fund interest payments would be reestimated by -\$93,000 in 2013-14 and -\$134,500 in 2014-15, based on current cashflow experience. This would leave \$300,000 GPR in 2013-14 and \$600,000 GPR in 2014-15 for estimated payments to SEG funds for temporary allocations of available balances by the general fund to support its cashflow.

Change to Bill Funding	
GPR	- \$227,500

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