



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #175

### **Vacant Position Adjustment (Board of Commissioners of Public Lands)**

[LFB 2021-23 Budget Summary: Page 75, #2]

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#### **CURRENT LAW**

The Board of Commissioners of Public Lands (BCPL) is a constitutionally created body consisting of the State Treasurer, the Attorney General, and the Secretary of State. The Board was established to accept public lands granted to Wisconsin at statehood by the federal government, including approximately 3.7 million acres of trust lands, and to oversee the sales of such trust lands and the investment of proceeds for the benefit of schools and libraries. Current staff responsibilities include managing the remaining school trust lands, totaling about 76,200 acres, and administering loans to local units of government from the corpus of the school trust funds to generate income for the funds. The Board is supported by 9.5 permanent GPR staff positions and other limited-term staff.

#### **DISCUSSION POINTS**

1. The 2019-21 biennial budget provided BCPL with an annual allotment of \$778,500 for salary. In the summer of each even-numbered year, the adjusted base budget is calculated for all agencies based on total appropriations for the second year of that fiscal biennium, plus other necessary adjustments such as for employee compensation increases approved in the state compensation plan. As a result of these adjustments, BCPL has an adjusted base including \$810,000 GPR for permanent position salaries and \$288,400 GPR for fringe benefits for purposes of beginning the 2021-23 biennial budget process.

2. Standard budget adjustments are also first calculated in August or September of each even-numbered year for each agency to submit as part of its requested budget for the next biennium. Standard budget adjustments include, among other items, the full cost of salaries and fringe benefits for continuing positions. If positions are vacant when standard budget adjustments are calculated

(August of 2020 for the 2021-23 biennium), the positions are budgeted at the minimum pay authorized for each position class.

3. In August 2020, BCPL had 3.0 vacant positions: the deputy commissioner of public lands, an office support specialist, and an archivist. Standard budget adjustments, which the Committee approved May 6, 2021, removed \$71,500 GPR annually (\$55,000 for salary and \$16,500 for fringe benefits) attributable to these vacancies from the agency's base budget. If the three positions had been filled at the last incumbents' salary rates on the date that full funding for continuing position salaries was calculated, BCPL would have received an increase of \$19,300 for salaries and \$6,800 for fringe benefits under standard budget adjustments. This would equal a difference of \$97,600 annually as compared to amounts approved under the May 6 action.

4. As of May 1, 2021, the deputy commissioner and office support specialist positions have been filled, both at wages similar to the previous incumbents. BCPL currently has 1.8 vacant positions, including 1.0 senior forester and a 0.8 senior accountant that was created after BCPL reclassified a portion of the previous archivist position. The minimum salary for the senior accountant position is higher than the minimum salary included in the adjusted base budget for the vacant archivist. BCPL reports that since 2016, when the Board approved a new investment policy allowing for more diverse investments, the workload for BCPL's existing accountant has increased significantly. The Board intends to fill both the 1.8 vacancies before the end of the 2020-21 fiscal year.

5. In total, the minimum annual salary allotment required for BCPL's 9.5 currently authorized positions is \$811,400, or \$56,400 more than is allocated (\$755,000) for BCPL permanent position salaries as of May 6 action by the Committee. This salary level would require an increase to the fringe benefit allotment of \$20,100 above the allotment approved May 6 (\$271,900). The Committee could consider providing \$76,500 GPR (\$56,400 for salary and \$20,100 for fringe benefits) in each year of the 2021-23 biennium, relative to Committee action to date. This would have the effect of recalculating standard budget adjustments for the Board as of April 2021. The change to the agency base would be \$5,000 annually, including \$1,400 for salaries and \$3,600 for fringe benefits [Alternative 1].

6. As noted above, the Board intends to fill the positions in the 2021-23 biennium. Once the positions are filled, the incumbents' salaries as of August, 2022, will form the basis for standard budget adjustments for the 2023-25 biennial budget. If the Committee takes no action, BCPL would be required to reduce non-wage expenses to pay salaries and fringe. The Board indicates that this could result in slower completion of due diligence reports for new investments, potentially slowing revisions to investment allocations of the school trust funds.

## **BCPL Operations Expenditures**

	<u>Budgeted</u>	<u>Actual</u>	<u>Difference</u>
2015-16	\$1,578,900	\$1,294,200	\$284,700
2016-17	1,583,500	1,342,000	245,700
2017-18	1,625,300	1,415,700	209,600
2018-19	1,627,500	1,475,800	173,500
2019-20	1,722,400	1,395,000	327,400
2020-21	1,724,700	1,261,100	463,600*

\* Through May 6.

7. The table compares authorized and actual expenditures for BCPL operations since 2015-16, and shows BCPL has underspent budgeted authority by at least \$173,500 each year since 2015-16. In 2020-21, BCPL operations are budgeted at \$1,724,700; through May 6, 2021, expenditures totaled \$1,261,100. It should be noted that the Board had between one and three vacancies through much of fiscal year 2019-20 and 2020-21. These vacancies reduced Board expenditures on salaries and fringe benefits relative to what the Board otherwise would have been required to spend.

8. Agencies are limited in how they can reallocate funding within appropriations. For instance, agencies are unable to spend supplies and services allotments on salaries or fringe benefits without approval from the Department of Administration. Since 2015-16, BCPL has expended its full salary and fringe allotments each year. However, because BCPL has typically underspent its total operations appropriation, the Committee could consider reallocating \$76,500 GPR from the Board's supplies and services line annually, providing \$56,400 to the salary allotment and \$20,100 to the fringe benefit allotment [Alternative 2]. This would make no net change to BCPL operations funding changes approved by the Committee to date.

9. The Committee could also take no action [Alternative 3]. If the Committee took no action, BCPL and the administration would reallocate funding in the state budget system during the biennium as necessary to reflect BCPL's expenditures and consistent with authorized appropriations levels. BCPL would receive full funding of continuing positions' salaries and fringe benefits under the 2023-25 biennial budget.

10. Under Committee action to date, BCPL annual operations are budgeted at \$1,584,000, which includes standard budget adjustments and an appropriation reduction of \$97,600. Also, under current law, BCPL is required to pay aids in lieu of taxes on Board-owned properties acquired after 2005 that had previously been subject to property taxation. Currently, aids are required to be paid from the Board's GPR general operations appropriation. The Board has requested the ability to deduct aids in lieu of taxes from the investment earnings of the trust funds under board management. Aids are estimated to cost \$15,000 in 2021-22 and \$25,000 in 2022-23.

**ALTERNATIVES**

1. Provide \$5,000 annually for salary and fringe benefits for current and planned BCPL staffing in the 2021-23 biennium. (This will increase BCPL operations funding by \$76,500 GPR annually relative to Committee action to date, including \$56,400 for salary and \$20,100 for fringe benefits.)

<b>ALT 1</b>	<b>Change to Base</b>
GPR	\$10,000

2. Reallocate \$76,500 GPR from the Board's supplies and services line annually, providing \$56,400 GPR to the permanent position salary allotment and \$20,100 to the fringe benefit allotment.

3. Take no action.

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