



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #698

Remaining Funding in Cash Management Appropriation (State Treasurer)

[LFB 2003-05 Budget Summary: Page: 391, #3]

CURRENT LAW

Under the State Treasurer's 2002-03 adjusted base budget, a total of 6.25 classified and 1.00 unclassified FTE positions were budgeted for the two PR appropriations that support the cash management activities of the Office. Base level funding for these two appropriations totaled \$577,600 PR.

GOVERNOR

The Governor's budget would delete, in fiscal year 2004-05, a total of 4.75 classified positions and \$400,900 PR from these two appropriations in connection with the transfer of cash management functions of the Treasurer's Office to the Department of Administration. The allocation of deleted positions and funding would be as follows: (1) -0.58 FTE and -\$40,800 PR from the cash management -- bank allocation appropriation [this would leave no funding in the appropriation in 2004-05 under the State Treasurer]; and (2) -4.25 FTE and -\$336,500 PR from the cash management -- general program operations appropriation [this would leave 2.42 FTE and \$253,000 PR in this appropriation in 2004-05]. In addition, the Governor's budget would delete 0.25 FTE and \$23,600 PR from the local government investment pool (LGIP) as part of this transfer.

DISCUSSION POINTS

1. The Governor's recommendation would transfer cash management functions to the Department of Administration in 2004-05. There is no mention of any of these functions remaining in the State Treasurer's Office. The State Treasurer's Office requested this transfer (see separate

issue paper on "Transfer of Cash Management Functions to DOA"). The deleted positions and funding levels were based on the budget submitted by the State Treasurer's Office and were unchanged under the Governor's recommendation.

2. The 2004-05 funding that would be retained in the cash management – general programs operations appropriation under the State Treasurer involves funding for two different aspects of the Office's organizational structure: (a) a portion of the three top management positions in the State Treasurer's Office – the State Treasurer, the Deputy State Treasurer and the Executive Assistant; and (b) 1.50 management services support FTE consisting of a 0.50 IT specialist position, a 0.50 accountant position and a 0.50 financial specialist position. The impact of continued cash management funding to the Office for these two different subsets of employees are discussed below.

Central Overhead Charges

3. Of the total funding of \$253,000 PR that would remain in the cash management general operations appropriation in 2004-05 under SB 44, 0.92 FTE and \$112,900 PR would be for a portion of the salary and fringe benefit costs of the Treasurer, Deputy Treasurer and Executive Assistant positions. Since the agency has no GPR funding, the cost of these positions are allocated among the various programs of the Office that have specific funding sources, based on an estimate of the time that each person spends on each of the programs.

4. However, no allocation is currently made to assess any costs of these three positions to the EdVest programs (college tuition and expenses program and the college savings program) currently managed by the Office, even though time is spent on these programs by these individuals. It was indicated that this exclusion was part of an understanding that was made when the college tuition and expenses program was recommended by the Governor for transfer from the Department of Administration to the State Treasurer's Office as a part of the 1999-01 biennial budget. At that time, that program was still being financed almost entirely by GPR start-up funds. The college savings program was initially created by 1999 Wisconsin Act 44, but was not able to be fully implemented until the passage of 2001 Wisconsin Act 7.

5. There would appear to be no reason for continuing to assess any costs of the Treasurer's Office to those revenue sources for state cash management activities, since these activities would no longer be a responsibility of the Office.

6. The Committee could modify the Governor's recommendation to allocate this portion of the cost of these three positions to the remaining programs of the agency. New enrollments in the tuition and expenses program have been suspended due to the success and popularity of the newer college savings program. That latter program now has more than sufficient revenue to support additional administrative charges.

7. The State Treasurer's Office outlined two potential scenarios for redistributing these costs among all the remaining program areas that would remain within the Office in fiscal year 2004-05. The two scenarios are as follows: (a) distribute the costs of the three positions equally

across these three program (one-third to each program); or (b) distribute the costs of the three positions only 20% to the smallest of the three programs (the LGIP program with only one full-time staff person) and apportion the remaining costs equally (40% each) to the other two programs (unclaimed property and college savings programs). However, the LGIP program is limited in its revenue source [administrative charges against the earnings of the pool (whose assets are included in the State Investment Fund for investment by SWIB) cannot exceed 0.25% of the amount of income received by the fund (the local government pooled-investment fund)]. Therefore, the total budgeted costs of the LGIP have not been recovered recently due to low interest earnings. In fiscal year 2001-02, expenditures totaled \$201,762 and available revenues totaled only \$183,465. The Treasurer's Office charged the shortfall of \$18,297 as an additional administrative cost against the gross earnings of the pool prior to distribution.

8. Another alternative would be to delete all funding for these positions that is budgeted under the cash management functions appropriation in 2004-05. In lieu of this funding allocation, it could allocate 50% of those costs to the unclaimed property program and 50% to the college savings program. There would be no net change to the total level of funding for the Treasurer's Office in 2004-05 compared to the Governor's recommendation. The cash management appropriation would be decreased by an additional \$112,900 PR and 0.92 FTE in 2004-05; the unclaimed property program appropriation would be increased by \$56,500 PR and 0.46 FTE in 2004-05; and the college savings program appropriation would be increased by \$56,400 SEG and 0.46 FTE.

9. Alternatively, since the agency did not request reallocation of the funding for these positions as a part of its request, this remaining position authority and related funding associated with the cash management functions of the Office could also be deleted. Since the way the funds are budgeted in this appropriation is spread across the three top management positions, the only way to accomplish this position reduction of 0.92 FTE position would be to delete one of the three positions. The Treasurer's position cannot be eliminated, therefore either the executive assistant position or the deputy position would have to be eliminated. The Committee could delete the executive assistant position. It could then also delete \$112,900 PR from the cash management appropriation and 0.92 FTE allocation (and an additional 0.08 FTE and \$5,000 PR would need to be deleted from the LGIP program).

Management Support Staff

10. Of the total funding of \$253,000 PR in 2004-05 that would be in the cash management appropriation under the Governor's recommendation, \$140,100 PR and 1.50 FTE would be associated with portions of the total costs of 2.50 FTE positions (1.0 information technology professional, 1.0 accountant and 0.50 financial specialist) that are organizationally located in a staff unit denominated as management services staff. Similar to the top three management positions in the agency, these staff positions are not organizationally assigned to a single specific program but are budgeted on an FTE cost basis to the respective operating programs.

11. Similar to the previous discussion, portions of the salary and fringe benefit costs of

each these 2.50 positions are allocated to one or more of the agency's current program areas [excluding the EdVest programs, for the same reason as described above]. That current allocation on an FTE basis is shown in the table below:

**Current Actual Budgeted Management Support Staff
By Program & Full Time Equivalent**

<u>Position</u>	<u>Cash Management</u>	<u>College Savings</u>	<u>LGIP</u>	<u>Unclaimed Property</u>	<u>Total</u>
Accountant -- Senior	0.50	0.00	0.00	0.50	1.00
IT Professional	0.50	0.00	0.25	0.25	1.00
Financial Specialist 3	<u>0.50</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.50</u>
Total	1.50	0.00	0.25	0.75	2.50

12. As requested by the Treasurer's Office, under the proposed transfer of the cash management activities of the Treasurer's Office to DOA under the bill, the portion of these support positions budgeted to cash management functions would remain and the related costs are continued in the cash management appropriation under the State Treasurer in fiscal year 2004-05. The Treasurer's Office indicates that the above budget allocations for these 2.50 staff positions was based on a time study for the positions that was done sometime ago, but for which the documentation is no longer available.

13. The State Treasurer's Office has indicated a variety of duties assigned to the 1.5 full time equivalents of the total 2.5 positions in the office management support unit that are currently budgeted to cash management functions. The indicated current duties for the 0.5 FTE portion of the senior accountant position and the 0.5 FTE portion of the information systems technical services position are almost all related to activities associated with the current cash management responsibilities of the Office. The current responsibilities of the financial specialist position as listed by the Treasurer's Office are much more general and cover office functions that affect all the programs of the Office (such as payroll processing and voucher payment transactions) as well as general duties. The Office indicates that the funding support for this latter position has never been reallocated so that it is properly charged across all the programs of the Treasurer's Office.

14. The Treasurer's Office further indicates that the 1.50 FTE of the total 2.5 positions in the office management support unit that are currently budgeted to cash management functions will still be needed after these functions are transferred to DOA. The Office indicated that there would be additional workload activities for the three positions as follows:

Financial Specialist: Handle main switchboard, office mail and records retention [the Office indicates these responsibilities were previously handled by employees who were budgeted exclusively to the cash management functions of the Office].

Informational Technology Professional: Help the LGIP program on data operations; work on development of a web-based transaction system for the some 1200 local government participants in the program; work on the office network system that the Office has separated from the Department of Electronic Government as of January 1, 2003; continue support of the cash management IT systems and programming needs during the transition of those systems and programming activities to DOA's Office of Computer Services; and potential database administration work for the tuition credits program (EdVest I) in the 2005-07 biennium.

Senior Accountant: Serve as acting administrator during LGIP administrator's absence; conduct monthly audit of LGIP transactions and balances; conduct audits of unclaimed property database and monitoring of securities for the program held by outside custodian; conduct audits of corporations headquartered in Wisconsin for unclaimed property compliance; conduct monthly audits of certain tuition credits and college savings program financial transactions; audit of Strong Capital Management, Inc., (the outside vendor for the college savings program) processing and cash management activities.

15. The Treasurer's Office was also asked to estimate a revised workload allocation across all of the programs based on the above that would remain under the Office in 2004-05 under the Governor's recommendation. The following estimated staff allocation for the total was provided:

**Suggested Allocation of Management Support Staff
By Program & Full Time Equivalent**

<u>Position</u>	<u>Cash Management</u>	<u>College Savings</u>	<u>LGIP</u>	<u>Unclaimed Property</u>	<u>TOTAL</u>
Accountant	0.000	0.333	0.333	0.334	1.000
IT Specialist	0.000	0.100	0.450	0.450	1.000
Financial Specialist	<u>0.000</u>	<u>0.165</u>	<u>0.165</u>	<u>0.170</u>	<u>0.500</u>
Total	0.000	0.598	0.948	0.954	2.500
Net Change to Current Allocation	- 1.500	0.598	0.698	0.204	0.000

16. The Committee could adopt this revised total allocation for the 2.50 support staff positions based on the agency's estimate of increased workload. There would be no net change to

the total level of funding for the Treasurer's Office in 2004-05 compared to the Governor's recommendation. The cash management appropriation would be decreased by \$140,100 PR and 1.50 positions; the unclaimed property appropriation would be increased by \$53,100 PR and 0.204 position allocation; the LGIP program appropriation would be increased by \$53,100 PR and 0.698 position allocation; and the college savings program appropriation would be increased by \$33,900 SEG and 0.598 position allocation.

17. Alternatively, the Committee could delete the equivalent of 1.50 FTE positions from the agency and \$140,100 PR from the 2004-05 level of funding in the cash management appropriation. It would also reduce an additional 1.50 positions from the agency, but the agency would have the flexibility to determine which positions or portion of positions out of the current existing total of 2.50 management support positions would actually be deleted. This would allow the agency to prioritize the remaining staff functions as to the most critical support needs of the agency.

ALTERNATIVES

A. Central Overhead Charges

A1. Delete \$112,900 PR and 0.92 FTE from the cash management general operations appropriation in 2004-05. Increase funding in the unclaimed property program appropriation by \$56,500 PR and 0.46 FTE in 2004-05. Increase funding in the college savings program appropriation by \$56,400 SEG and 0.46 FTE in 2004-05.

<u>Alternative A1</u>	<u>PR</u>	<u>SEG</u>	<u>TOTAL</u>
2003-05 FUNDING (Change to Bill)	- \$56,400	\$56,400	\$0
2004-05 POSITIONS (Change to Bill)	- 0.46	0.46	0.00

A2. Delete \$112,900 PR and 0.92 FTE allocation from the cash management appropriation and \$5,000 PR and 0.08 FTE allocation from the LGIP program and delete the executive assistant position in the agency.

<u>Alternative A2</u>	<u>PR</u>
2003-05 FUNDING (Change to Bill)	- \$117,900
2004-05 POSITIONS (Change to Bill)	- 1.00

A3. Take no action.

B. Management Support Staff

B1. Delete \$140,100 PR and 1.50 FTE from the cash management appropriation in 2004-05. In fiscal year 2004-05, increase funding in the unclaimed property appropriation by \$53,100 PR and 0.204 position allocation, funding in the LGIP program appropriation by \$53,100 PR and 0.698 position allocation, and funding in the college savings program by \$33,900 SEG and 0.598 position allocation.

<u>Alternative B1</u>	<u>PR</u>	<u>SEG</u>	<u>TOTAL</u>
2003-05 FUNDING (Change to Bill)	- \$33,900	\$33,900	\$0
2004-05 POSITIONS (Change to Bill)	- 0.598	0.598	0.00

B2. Delete \$140,100 PR and 1.50 FTE from the cash management appropriation in 2004-05. [The agency would have the authority to determine which positions or portions of existing positions funded from this appropriation would be deleted to equal the required 1.50 FTE reduction].

<u>Alternative B2</u>	<u>PR</u>
2003-05 FUNDING (Change to Bill)	- \$140,100
2004-05 POSITIONS (Change to Bill)	- 1.50

B3. Take no action.

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