



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #699

Location of LGIP Program (State Treasurer)

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

CURRENT LAW

In conjunction with the State of Wisconsin Investment Board (SWIB) and the Department of Administration, the State Treasurer's Office operates the local government pooled-investment fund, usually referred to as the local government investment pool or LGIP.

GOVERNOR

Continue operation of the LGIP in the State Treasurer's Office, but delete 0.25 FTE position (financial management supervisor) and \$23,600 PR in 2004-05 from this program as a part of the proposed transfer of the cash management functions of the Office to the Department of Administration.

DISCUSSION POINTS

1. Chapter 164, Laws of 1975, created the LGIP program. Under that law, the State Treasurer was given certain responsibilities for dealing with and reporting to account holders with money deposited in the program for investment by the state, SWIB was made responsible for actual investment of monies deposited with the program (as a separate part of the state investment fund) and DOA was required to maintain account records for each participant in the program. This division of responsibilities has continued since that time.

2. Under the LGIP program, any local unit of government (including cities, counties, towns, villages, special governmental districts such as sewerage or drainage districts, public library systems, school districts and technical college districts) may, with the consent of the governing body

of the unit, transfer local funds to the State Treasurer for deposit in the local government pooled-investment fund. In addition, funds payable to local units of government under shared revenue payments for per capita and aidable revenue entitlements, public utility distributions, the expenditure restraint and county mandate relief programs and as state property tax relief may, at the request of the locality, be deposited directly into the municipality's account(s) under the LGIP.

3. The average daily balance in the LGIP in fiscal year 2002-03 has been about \$3.8 billion and monthly deposits and withdrawals each average around \$1.5 billion. Localities may mail, phone or electronically transmit requests for deposits or withdrawals from the LGIP by 11:00 a.m. of each business day. The staff accountant budgeted for the program is responsible for handling these transactions. Approximately 75 to 100 transactions per day are executed, with transactions reaching 250 daily at peak periods. The Treasurer's Office, in conjunction with actual records maintained in the WISMART accounting system by DOA, is responsible for maintaining the individual account records for approximately 1,200 account holders.

4. Under the Governor's budget, the LGIP program would be allocated a total of \$202,800 PR and 1.49 FTE positions in 2004-05. This reflects the deletion of a 0.25 FTE budget allocation for a portion of a financial management supervisor position and \$23,600 PR from the current program in 2004-05. This deletion from the LGIP program was proposed by the agency as a part of the transfer of the cash management functions of the Office to DOA and is included in the Governor's budget recommendations.

5. It is understood that during the formulation of the Governor's budget, the question of a possible relocation of the LGIP program was discussed with the Treasurer's Office. It has been indicated, however, that the Treasurer's strong preference is that the LGIP program remain in the Treasurer's Office. The Treasurer believes that this function is best located in that Office.

6. It could be argued, however, that several items could point to relocating this function to DOA along with the transfer of the cash management functions. First, the operations of the LGIP program in the Office, while clearly distinct from state agency financial operations, are of a nature similar to those handled by the staff that will be transferred to the State Controller's Office with the shift of the cash management functions to DOA. A primary activity of the LGIP program staff (primarily the 1.0 accountant) is to process deposits to the fund, which can be transmitted to the Office by either check or wire transfer, and to execute withdrawals from the fund, for which payment to the local unit of government can be made by check or wire transfer. Either of these actions is undertaken only upon a request submitted by the local governmental unit by telephone, fax or letter. Record keeping and monthly reports to account holders are also responsibilities of program staff. However, the actual accounts reside in DOA on WISMART and are updated in an interface system with the initial transaction entries made by the LGIP staff person. These LGIP activities are totally dissimilar from the other activities of the programs that would remain in the Office after the proposed transfer of cash management functions, namely the unclaimed property program and the two EdVest programs (college tuition and expenses program and college savings program).

7. Second, under the Governor's budget, the LGIP staff is already being reduced as result of the 0.25 supervisor position transfer proposed as a part of the cash management functions transfer. The agency has indicated potential needs for additional staff support for such activities as: providing backup for the program accountant when that person is not in the office; monthly audits of the records data base; and creation of a web-based transactions system for the some 1200 participants in the LGIP.

8. Third, DOA has a much larger support staff, and a transfer of the Treasurer's Office share of the total LGIP program operations to DOA would permit the 1.0 existing accountant position to obtain backup or other support from the existing financial services staff (39.00 FTE) in that agency that are housed in the State Controller's Office.

9. Fourth, the cash management activities of the Treasurer's Office that will be transferred to DOA in 2004-05 will be located in the State Controller's Office in DOA. That Office already has a significant staff handling a variety of financial management activities and that staff size will be increased by 3.0 FTE as a result of the cash management functions transfer.

10. If the Committee approves the proposed transfer of cash management activities to DOA, it could consider transferring the LGIP program to DOA as well. The Committee could provide for the modification of the statutes to relocate those LGIP functions of the Treasurer's Office also under DOA, transfer the 1.00 FTE (accountant) and \$166,600 PR in 2004-05 from the Office to DOA and provide for the creation of a separate PR appropriation financed by the existing separate assessment fee that funds the position and associated operating costs. A 0.25 IT position allocated to the program and \$16,900 PR could be deleted since DOA has its own Office of Computer Services to support agency IT operations. A total of 0.24 FTE and \$19,300 PR for a portion of the top management positions could also be deleted from the program in 2004-05. These FTE equivalents and the cost of those positions could be reallocated to the college savings (an increase of 0.24 FTE and \$19,300 SEG to the college savings program).

11. However, if the Committee chooses to retain the program in its present location, it could consider the adequacy of the existing staffing (1.00 accountant for program operations) for the program under the Governor's recommendation, since the office has expressed concerns over the adequacy of staffing for the current program even before the 0.25 FTE is deleted. The Office believes that the addition of an additional accountant position would provide more adequate staffing for the program. The Committee could modify the bill to add 1.00 FTE (accountant) and \$44,800 PR in 2004-05 to provide additional direct staff support for operation of the LGIP in the State Treasurer's Office.

ALTERNATIVES

1. Transfer, effective July 1, 2004, the LGIP program in the Treasurer's Office to the Department of Administration, including 1.0 FTE (accountant position) and provide \$166,600 PR in a new appropriation under DOA for this program that would continue to be financed by revenues assessed against the earnings of the local government pooled-investment fund. Delete 0.25 FTE (IT professional) and \$16,900 PR. Also, delete \$19,300 PR and 0.24 FTE (partial allocation of top management positions) from the LGIP appropriation in 2004-05. Increase the FTE allocations in the college savings program by the same 0.24 FTE allocation of top management positions and the funding by \$19,300 SEG in 2004-05.

<u>Alternative 1</u>	<u>PR</u>	<u>SEG</u>	<u>TOTAL</u>
2003-05 FUNDING (Change to Bill)	- \$36,200	\$19,300	\$16,900
2004-05 POSITIONS (Change to Bill)	- 0.49	0.24	- 0.25

2. Maintain the LGIP program in the Treasurer's office and provide 1.0 additional position (accountant) and \$44,800 PR in 2004-05 for the LGIP program.

<u>Alternative 2</u>	<u>PR</u>
2003-05 FUNDING (Change to Bill)	\$44,800
2004-05 POSITIONS (Change to Bill)	1.00

3. Take no action. (The LGIP program would remain in the Treasurer's office at the position and funding level of SB 44.)

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