



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #703

Local Government Investment Pool Programming Costs (State Treasurer)

[LFB 2005-07 Budget Summary: Page 458, #6]

CURRENT LAW

One of the three programs administered by the State Treasurer's Office is the Local Government Investment Pool (LGIP). This program exists to allow local municipalities to invest their temporarily unneeded funds (cash reserves, generally) in the state investment fund (SIF). Currently, to make such investment transactions (make deposits or withdrawals) a municipality must execute such a transaction either by sending a check or requesting a bank wire transfer to accomplish the deposit of funds in the LGIP or to request by mail, telephone or via an interactive voice response (IVR) system, a transfer of monies from the LGIP to the requestor's designated bank account. Participants currently receive by mail a monthly statement of their account balances and transactions and can obtain updated information on their account balances, generally on the day following the transaction, by contacting the office.

GOVERNOR

Provide \$75,000 PR in unallotted reserve in 2005-06 to allow the State Treasurer's Office to develop an internet accessible web page for the LGIP to facilitate the ability of program participants (local government units) to view their account statements on-line at any time and obtain current information on interest rates. The proposed website page would also allow participants to inform the LGIP of deposit transactions and to place instructions for withdrawal of funds from a participant's account.

DISCUSSION POINTS

1. As of February, 2005, the LGIP had 1,229 current participants (including 153 cities, 70 counties, 335 school districts, 181 villages and 247 towns) and a total of 5,260 separate accounts. An individual participant in the program may have up to a maximum of 15 separate accounts; the average number of accounts is approximately four and most participants have as least two accounts. For the month of February, 2005, the average daily balance in the LGIP was \$3.0 billion. This represented 54% of the total average balance in the State Investment Fund (SIF). The total SIF average daily balance was \$5.6 billion.

2. The Treasurer's Office indicates that LGIP participants have made repeated requests over the past two years for the program to provide participants with the ability to view their account information electronically and to direct account transactions via the same electronic system. For account information, such as balance, and interest earned, this information is currently available primarily only from a monthly statement provided by LGIP, by calling the LGIP program administrator, or by using the IVR system. Currently, for account transactions [deposit or withdrawal of monies from a participant's account(s)], a program participant must do one of the following:

- for deposits: (a) send a check; or (b) make a bank wire transfer;
- for withdrawals: (a) by fax, letter or telephone, provide instructions to the LGIP to make a withdrawal from the participant's account; or (b) use the IVR system to make the request. Actual execution in either case is accomplished by the LGIP sending a check or making a bank wire transfer.

3. The Governor's recommendation provides funding to allow development of web site capability for the program. The intent is to develop a web application to provide these functions and to eventually phase-out the IVR system. Under the proposed application, participants would be able to review their accounts on a real time basis prior to making any financial transactions and to obtain this information 24 hours a day, 7 days a week. They could then proceed directly to notify LGIP of incoming deposits, or direct withdrawals or transfers from their account(s). They could track financial information for their account(s) and immediately obtain printed copies of those reports for their governing officials. The agency indicates that the IVR telephone system would also be continued as an option for customers for a year or two after implementation of the new web-based system.

4. The Office has explored with the Division of Enterprise Technology, and is currently exploring with outside providers, options for the provision of this service. The Division of Enterprise Technology has indicated that outside sourcing of this service might be the most feasible alternative. Current options under review would include leasing from a bank or other provider such a service (which would entail on-going service charges) or pursuing some type of purchase of such a system. A lease option would presumably be more expensive over the long-term but might not require the full amount requested in the agency's budget request (\$75,000) in this biennium. That

\$75,000 however is requested as one-time funding. A lease option approach would presumably require on-going funding demands that could potentially increase from year-to-year.

5. Under the Governor's budget, the State Treasurer's Office request for one-time funding of \$75,000 in 2005-06 in placed in unallotted reserve. Any money within an agency's appropriation that is in unallotted reserve can only be expended upon subsequent approval from DOA to expend those unallotted funds. There is no language in the bill with regard to the use of these unallotted funds, but the Governor's budget book states that these funds are placed in unallotted reserve "subject to release by the Department of Administration upon approval of an implementation plan to be submitted by the office [State Treasurer]."

6. The requested improvement seems to be a desirable customer service enhancement. The Committee could approve the Governor's recommendation.

7. Alternatively, the Committee could choose to ensure some further Committee review of the final selection of an actual product and the potential (if any) on-going costs of such a selection, as well obtaining information on the timeline for the phase-out of the existing IVR system. The Committee could place the requested funding of \$75,000 in the Joint Committee on Finance's supplemental PR appropriation for release, under a 14 day passive review process, upon the submittal to the Committee by the Treasurer's Office of a request for release of the funds and a copy of the detailed final implementation plan that includes a timeline for a phase-out of the IVR system.

ALTERNATIVES

1. Approve the Governor's recommendation.

2. Transfer \$75,000 PR in 2005-06 from unallotted reserve in the LGIP program appropriation [s. 20.585(1)(g)] to reserve in Joint Committee on Finance's supplemental PR appropriation [20.865(4)(g)], with the understanding that these funds may be released, under a 14 day passive review process, upon submittal to Committee by the Treasurer's Office of a funding request that is accompanied by a copy of the detailed final implementation plan for the website and that includes a timeline for the phase-out of the IVR system.

3. Maintain current law.

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