

SITLA BONUSES

NATURAL RESOURCES APPROPRIATIONS SUBCOMMITTEE
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ISSUE BRIEF

SUMMARY

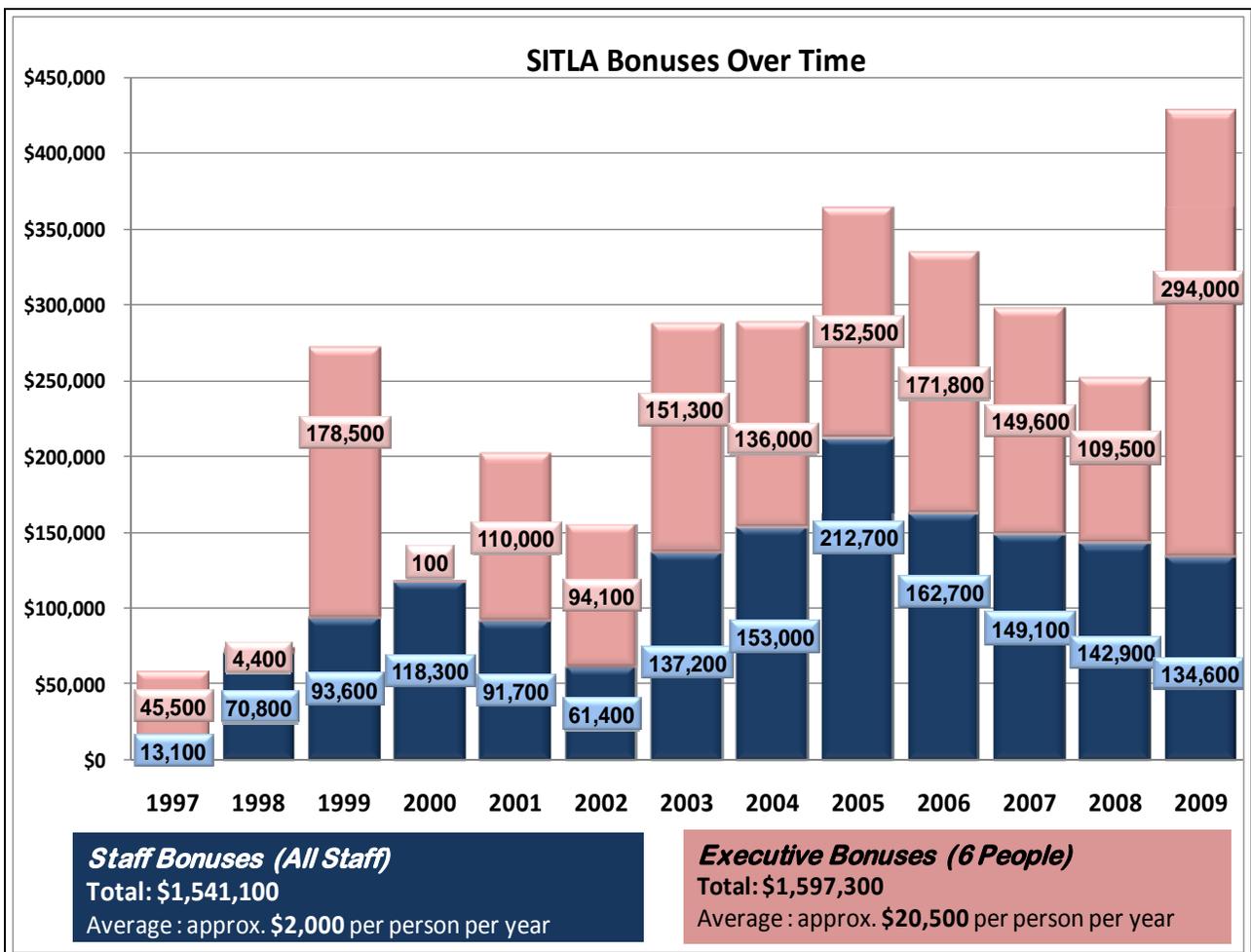
In FY 2009 the School and Institutional Trust Land Administration (SITLA) paid \$428,600 in bonuses to its approximately 70 employees. The payments included as many as three bonuses for certain senior managers, and one of those bonus payments was made two months earlier than usual.

BONUSES

SITLA began its bonus program after the agency's separation from DNR in 1994, when it was established as a quasi-governmental organization. There were two types of bonuses:

- Bonuses for Executives: rewards primarily issued by the SITLA board to six senior managers
- Bonuses for Staff: rewards issued by the director to all employees, including senior managers

Since the inception of the bonus program in 1997, SITLA has spent nearly \$3.1 million on bonuses for its approximately 70 employees. The Figure below provides a summary of the expenditures for SITLA's two bonus plans over time.



Bonuses for Executives

More than half of the total bonuses were given to SITLA's senior management. Most of these bonuses were awarded by the board, based on the agency meeting revenue goals, as well as specific objectives. In addition, the senior managers have also received bonuses awarded by the director. Overall, since 1997, SITLA has spent \$1,597,300 in bonuses paid to 5-8 senior managers, ranging from \$4,000 to \$71,000 per person per year.

In FY 2009 the senior managers received three bonuses totaling \$294,000. The first was given by the board for the FY 2008 performance (totaling \$135,000), the second was issued by the director to the five section heads (totaling \$9,000), and the third was given by the board for the FY 2009 performance (totaling \$150,000).

The *first* board bonus was paid in August 2008 (the beginning of FY 2009) and it was for completing the board-set objectives of FY 2008. This was consistent with the payments in the last 10 years, where the bonuses were paid two months after the end of the fiscal year for which they were earned. These bonuses ranged from \$13,200 to \$35,000 per person.

The *second* bonus was awarded by the agency director, at the direction of the board, to the five section heads. Each of them received \$1,800 (total \$9,000) between November 2008 and January 2009.

The *third* bonus was paid in June 2009, and it was for reaching the objectives of FY 2009. The six managers received between \$21,700 and \$36,000 each. This bonus was budgeted for FY 2010, but it was paid in the last month of FY 2009, contrary to the board's long standing practice of waiting for the close of the prior fiscal-year's books. It appears that the change was made to ensure that the senior managers receive the bonuses that otherwise would not have been paid, because the 2009 Legislature eliminated the funding for all bonuses in FY 2010.

SITLA's FY 2009 budget, however, did not have an appropriation for an extra bonus. In fact, the total appropriation for the executive bonuses in FY 2009 was only \$120,000. In order to come up with the \$285,000 for the two board bonuses in FY 2009, SITLA used \$165,000 of its unexpended operating budget, which otherwise would have gone to the permanent trust fund.

Although these bonuses are much higher than what is currently allowed by the Department of Human Resources Management (DHRM) rules, Utah Code (UCA 53C-1-201) exempts SITLA from these restrictions and allows its board to establish the amounts.

However, it is unclear why the board has decided to provide higher amounts than what is allowed by DHRM. There is no evidence that the DHRM limit of \$8,000 bonus per person per year would not be a sufficient incentive to SITLA senior managers to fulfill their statutory duties.

Bonuses for Staff

SITLA employees received on average \$2,000 in bonuses per person per year. In FY 2009 the total staff bonuses were \$134,600, ranging between \$300 and \$6,750 per person. The total amount spent for staff bonuses since 1997 is \$1,541,100. In contrast to the executive bonuses (shared by 5-8 individuals), staff bonuses are distributed among all SITLA's employees, including senior managers.

CONCLUSION

Concerns over SITLA's bonuses have been raised by the public, media, and legislators. The main concern at this time is that when the funding for public education (the main beneficiary) is considerably insufficient, the organization charged to manage the "*revenues generated from the lands in the most prudent and profitable manner possible*" has spent in FY 2009 \$428,600 for bonuses for its approximately 70 employees. This amount includes paying three bonuses to its senior managers and spending \$165,000 more than originally budgeted, using unexpended funds that otherwise would have been sent to the permanent trust fund.

Based on the information provided in this document, the Analyst recommends that the Legislature consider restoring to the permanent trust fund the \$165,000 used for the third bonus, by reducing SITLA's budget by \$165,000 one-time in FY 2010.