

**1999 DRAFTING REQUEST**

**Assembly Amendment (AA-ASA1-AB133)**

Received: **06/22/99**

Received By: **champra**

Wanted: **Soon**

Identical to LRB:

For: **Senate Democratic Caucus**

By/Representing: **Walter**

This file may be shown to any legislator: **NO**

Drafter: **champra**

May Contact:

Alt. Drafters:

Subject: **State Finance - investment board  
State Finance - miscellaneous**

Extra Copies:

**Pre Topic:**

SDC:.....Walter - Caucus #2759,

**Topic:**

Investment of funds controlled by BCPL

**Instructions:**

See Attached.

**Drafting History:**

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?	champra 06/27/99	gilfokm 06/27/99		_____			
/1			haugeca 06/28/99	_____	lrb_docadmin 06/28/99		

FE Sent For:

<END>

**1999 DRAFTING REQUEST**

**Assembly Amendment (AA-ASA1-AB133)**

Received: **06/22/99**

Received By: **champra**

Wanted: **Soon**

Identical to LRB:

For: **Senate Democratic Caucus**

By/Representing: **Walter**

This file may be shown to any legislator: **NO**

Drafter: **champra**

May Contact:

Alt. Drafters:

Subject: **State Finance - investment board**  
**State Finance - miscellaneous**

Extra Copies:

**Pre Topic:**

SDC:.....Walter - Caucus #2759,

**Topic:**

Investment of funds controlled by BCPL

**Instructions:**

See Attached.

**Drafting History:**

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
1?	champra	1-6-27 Kmj	CH 6-27	CH 6-29 SH			

FE Sent For:

<END>

yes

SDC

**Agency: Board of Commissioners of Public Lands**

caucus number 2759

duplicate flag:

duplicate with:

Other reference numbers:	LFB Sum #:
bill number/amendment number:	
LRB draft #	LRB P-draft:

**description:** See attached for language. Allow Board to delegate the investment of monies belong to the Trust Funds and their earnings in amounts to be determined by the Board. Also Board will appoint a portfolio manager to assist the BCPL with investment objectives.

**other notes**

**drafting instructions:** See attached.

**more instructions:**

---

**Agency: Board of Commissioners of Public Lands**

**Number of Amendments: 1**

+

CN 2759

Amend 24.61(2)(a)

The board may delegate to the State Investment Board the investment of monies belonging to the Trust Funds and their earnings in amounts to be determined by the board. Investment vehicles may include any of those which the Investment Board is authorized to use. In addition, the board may invest moneys belonging to the Trust Funds in the purchase of any of the following:

Non-Statutory Provision:

The State Investment Board will appoint a portfolio manager to assist the BCPL with its investment objectives. Reasonable compensation will be provided to the SWIB by the BCPL for this expertise.

**Amend 24.61(2)(a)**Introduction:

The Board attempted to expand and update the statutory language used to describe its investment authority in Act 27, but these provisions were vetoed. The reasons given for the veto indicated that the Board's intent had been misunderstood. For instance, the veto language implied that the Board had no ability to make independent investments, but was requesting that it be allowed to do so. In reality, the Board already has the authority to invest moneys belonging to the Trust Funds in a variety of instruments and could, if it wished, withdraw all of the Trust Fund principals from the State Investment Pool and invest them in say, U.S. Treasuries. The Board is not required to deposit unloaned Trust Fund monies in the State Investment Pool. Neither is the Board in any way responsible for the strength or weakness of the State Investment Pool. The Attorney General, the Secretary of State, and the State Treasurer, elected constitutional officers of the state, have fiduciary responsibility over all aspects of the Trust, including the Trust Funds, and may invest the principals of same in instruments authorized by the legislature. Currently, they are using three investment vehicles for the Trust Funds - the Trust Fund Loan Program and the Trust Land Program, which are administered by the Board; and the State Investment Pool, which is administered by the State of Wisconsin Investment Board (SWIB). In attempting to update and expand the BCPL's investment authority, the Board's intention was to continue to use SWIB's services, but in a broader investment capacity.

Because of this past confusion and lack of understanding about the Board's legal standing in regard to all aspects of the Trust, a different approach is being taken in this request, which is evident from the suggested statutory language found below. It is hoped that this approach will alleviate previous concerns.

Amend 24.61(2)(a)

The board may delegate to the State Investment Board the investment of monies belonging to the Trust Funds and their earnings in amounts to be determined by the board. Investment vehicles may include any of those which the Investment Board is authorized to use. In addition, the board may invest moneys belonging to the Trust Funds in the purchase of any of the following:

Non-Statutory Provision:

The State Investment Board will appoint a portfolio manager to assist the BCPL with its investment objectives. Reasonable compensation will be provided to the SWIB by the BCPL for this expertise.

It should be noted that expanded investment authority, including the ability to invest in equities, has become an issue of national concern. The Western States Land Commissioners Association has established an Investment Committee to assist both eastern and western states to institute Trust Fund investment reforms. States which already have the ability to invest Trust principals in equities include Alaska, Nebraska, New Mexico, Oklahoma, Oregon, Texas and Utah. Idaho is in the process of securing this authority. A number of these states also have the ability to invest in real estate. Monies lost to public education because of out-dated investment restrictions should be of serious concern to Wisconsin's elected officials and citizens. This request represents a first step towards modernizing Trust Fund management so that the Board's fiduciary responsibilities to the beneficiaries can be met.

Additional materials pertaining to this request follow, as does a copy of the previous motion and veto.

1999

Date (time) SDC  
needed \_\_\_\_\_

LRB b 0947 11

**CAUCUS BUDGET AMENDMENT  
[ONLY FOR CAUCUS]**

RAC : pmg :

See form **AMENDMENTS — COMPONENTS & ITEMS.**

**CAUCUS AMENDMENT  
TO ASSEMBLY SUBSTITUTE AMENDMENT 1  
TO 1999 ASSEMBLY BILL 133**

>>FOR CAUCUS SUPERAMENDMENT — NOT FOR INTRODUCTION<<

At the locations indicated, amend the substitute amendment as follows:

#. Page . . . . , line . . . . :

#. Page . . . . , line . . . . :

#. Page . . . . , line . . . . :

#. Page . . . . , line . . . . :

#. Page . . . . , line . . . . :

#. Page . . . . , line . . . . :

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

1 AN ACT *to amend* 20.536 (1) (k), 24.01 (7), 24.09 (1) (a), 24.09 (1) (d), 24.10, 24.12,  
 2 24.15, 24.29, 24.31, 24.32 (1), 24.61 (2) (a) (title), 24.61 (2) (a) 3., 24.61 (2) (b),  
 3 24.62 (1) and 25.17 (1) (zm); and *to create* 24.61 (2) (a) 8., 24.61 (2) (c), 25.16  
 4 (8), 25.17 (1) (ai), 25.17 (1) (ax), 25.17 (1) (kd) and 25.17 (1) (xm) of the statutes;  
 5 **relating to:** investment and acquisition authority of the board of  
 6 commissioners of public lands.

***Analysis by the Legislative Reference Bureau***

This is a preliminary draft. An analysis will be provided in a subsequent draft. For further information see the **state** fiscal estimate, which will be printed as an appendix to this bill.

***The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:***

7 " SECTION 1. 20.536 (1) (k) of the statutes is amended to read:  
 8 593er ~~593bm~~ ~~593bm~~  
 9 20.536 (1) (k) *General program operations.* The amounts in the schedule for investing the funds which it controls. All moneys received by the board in advance

#. Page 390, line 16: after that line insert:

1 shall be credited to this appropriation. On July 1 and January 1 of each year, the  
2 board shall estimate the amounts required for the next 6-month period and bill the  
3 state agencies for whom investments are made. At the end of each semiannual period  
4 the board shall reconcile its expenditures and shall adjust its next billing to such  
5 agencies to reflect any deficits or excesses. At the end of each fiscal year the board  
6 shall reconcile its accounts and report to each state agency its share of total expenses  
7 for the year. Amounts billed to state agencies shall be charged to income or revenue  
8 received from the board's investments. Any amounts received under ~~s. ss. 24.62 (1),~~  
9 25.16 (8) and 25.17 (9) shall also be credited to this appropriation. The amounts  
10 expended under this paragraph may not exceed the amounts shown in the schedule  
11 for each year of the biennium, unless supplemented from the board's receipts by the  
12 joint committee on finance. <sup>3)</sup>.

13 **SECTION 2.** 24.01 (7) of the statutes is amended to read:

14 24.01 (7) "School lands" embraces all lands made a part of "the school fund" by  
15 article X, section 2, of the constitution, as well as any land received under s. 24.09  
16 (1) (bm) in exchange for such land and land in this state that is purchased under s.  
17 24.61 (2) (a) 8.

18 **SECTION 3.** 24.09 (1) (a) of the statutes is amended to read:

19 24.09 (1) (a) Except as provided under par. (c), the board may not sell or  
20 exchange any public lands which were not appraised or appraised under s. 24.08.  
21 ~~Except as provided under pars. (b), (bm) and (c), the board may not sell or exchange~~  
22 ~~any public lands except at public auction.~~

23 **SECTION 4.** 24.09 (1) (d) of the statutes is amended to read:

24 24.09 (1) (d) ~~All sales other than sales under par. (b) or (c) shall be made at the~~  
25 ~~times and public places the board designates. Prior to any sale, the board~~ If the board



1 offers land for sale at public auction, prior to the sale the board shall publish a class  
2 3 notice, under ch. 985, specifying the time and place and describing the lands to be  
3 sold in a newspaper published in the county where the lands are situated.

4 **SECTION 5.** 24.10 of the statutes is amended to read:

5 **24.10 Procedure at sale.** ~~At the time and place specified in such notice the~~  
6 ~~board~~ If the board offers land for sale at public auction, the board, at the time and  
7 place specified in the notice under s. 24.09 (1) (d), shall commence the sale and  
8 thereafter continue the same from day to day (Sundays excepted) between 9 a.m. and  
9 the setting of the sun, until all lands described in said notice have been offered. The  
10 order of such sale shall be to begin at the lowest number of the sections, townships  
11 and ranges in each county and proceed regularly to the highest, until all then to be  
12 sold are offered for sale. Each lot or tract of such lands shall, except such as may be  
13 withheld as provided in s. 24.09, be offered separately at the minimum price fixed  
14 by law, and shall be cried at public auction long enough to enable every one present  
15 to bid; and if the minimum price or more be bid, such lot or tract shall be struck off  
16 to the highest bidder; but if such price be not bid the tract shall be set down unsold.

17 **SECTION 6.** 24.12 of the statutes is amended to read:

18 **24.12 Forfeit for failure to pay.** Every purchaser of any lot or tract at any  
19 ~~sale as aforesaid public auction~~ shall pay the amount of the purchase money required  
20 by the terms of sale to be paid in hand immediately after having bid off the same; and  
21 if the purchaser shall refuse or neglect to so pay, the lot or tract so bid off by the  
22 purchaser shall again be offered for sale; and the purchaser shall, for such refusal  
23 or neglect to pay, forfeit \$25 for each lot or tract so bid off by the purchaser, which the  
24 board shall, in the name of the state, cause to be immediately sued for and collected,  
25 and when collected paid into the school fund.

1 SECTION 7. 24.15 of the statutes is amended to read:

2 **24.15 Private sale.** All public lands, including forfeited lands and mortgaged  
3 lands bid in by the state, ~~which shall have once been offered or reoffered at public sale~~  
4 ~~and remain unsold, shall~~ may be subject to private sale at the minimum price fixed  
5 therefor by law to the person first making application therefor, if the person  
6 forthwith complies with the term of sale; but if 2 or more persons shall apply at the  
7 same time to purchase any of such lands the same shall be offered to the highest  
8 bidder, and the applicant who will pay the highest price shall be the purchaser.

9 SECTION 8. 24.29 of the statutes is amended to read:

10 **24.29 Redemption.** At any time before the 5 days next preceding the  
11 reoffering of such land ~~at public~~ for sale, the former purchaser or the former  
12 purchaser's assigns or legal representatives may, by the payment of the sum due with  
13 interest, and all taxes returned thereon to the state treasurer which are still unpaid,  
14 and all costs occasioned by the delay, together with 3% damages on the whole sum  
15 owing for such land, prevent such resale and revive the original contract.

16 SECTION 9. 24.31 of the statutes is amended to read:

17 **24.31 Advertisement and resale of forfeited lands.** Whenever any public  
18 lands have been forfeited for the nonpayment of either principal, interest or taxes,  
19 and have remained forfeited for 3 months, the board shall first cause such lands to  
20 be appraised as provided by s. 24.08 and, ~~if the land is to be sold at public auction,~~  
21 shall thereupon advertise such land for sale as provided by s. 24.09, and shall further  
22 state in the notice that the lands have been forfeited and give the names of the former  
23 purchasers. ~~Such sale~~ The sale of land by public auction shall be made either in the  
24 county where the lands lie or at the capitol on a day not less than 3 months nor more  
25 than 6 months after the first insertion of the notice. The board shall publish a class

#. Page 462, line 7: after shot line insert:

1 3 notice, under ch. 985, of the sale public auction giving the time and place where  
2 such the sale will be held and the county in which such the lands are situated, but  
3 omitting any description of such the lands; the last insertion of the notice shall be at  
4 least one week previous to the time of commencing such the sale.

5 SECTION 10. 24.32 (1) of the statutes is amended to read:

6 24.32 (1) Unless such resale be prevented by payment as hereinbefore provided  
7 by s. 24.29, such lands shall be offered for private sale or for sale at public auction  
8 to the highest bidder, in the manner and upon the terms provided, for original sales,  
9 and if not then sold shall be subject to private entry thereafter.

10 SECTION 11. 24.61 (2) (a) (title) of the statutes is amended to read:

11 24.61 (2) (a) (title) *Authorized investments by board.*

12 SECTION 12. 24.61 (2) (a) 3. of the statutes is amended to read:

13 24.61 (2) (a) 3. Bonds and notes of this state.

14 SECTION 13. 24.61 (2) (a) 3. of the statutes is created to read:

15 24.61 (2) (a) 3. Land in this state.

16 SECTION 14. 24.61 (2) (b) of the statutes is amended to read:

17 24.61 (2) (b) *Deposited with state treasurer.* All bonds, notes and other  
18 securities so purchased under par. (a) shall be deposited with the state treasurer.

19 SECTION 15. 24.61 (2) (c) of the statutes is created to read:

20 24.61 (2) (c) *Delegation of investment authority to investment board.* The board  
21 may delegate to the investment board the authority to invest part or all of the moneys  
22 belonging to the trust funds. If the board delegates the authority, the investment  
23 board may invest the moneys belonging to the trust funds in any manner authorized  
24 for the investment of any funds specified in s. 25.17 (1).

25 SECTION 16. 24.62 (1) of the statutes is amended to read:

24.62 (1) *689L*

1           24.62 (1) Except as authorized in sub. (2), the board shall deduct its expenses  
 2 incurred in administering investments and loans under s. 24.61 from the gross  
 3 receipts of the fund to which the interest and income of the investment or loan will  
 4 be added. If the board delegates to the investment board the authority to invest part  
 5 or all of the moneys belonging to the trust funds, the investment board shall deduct  
 6 its expenses incurred in administering investments under s. 24.61 from the gross  
 7 receipts of the fund to which the interest and income of the investment will be added. )

→ 8 ✓ #. Page 463, line 14: after that line insert:  
 "SECTION 17. 25.16 (8) of the statutes is created to read:  
 L 6945

9           25.16 (8) The executive director shall assign an investment professional to  
 10 assist the board of commissioners of public lands in establishing and maintaining  
 11 investment objectives with respect to the investment of the assets of the agricultural  
 12 college fund, the common school fund, the normal school fund and the university  
 13 fund. An amount equal to the cost of any services rendered to the board of  
 14 commissioners of public lands under this subsection shall be deducted from the gross  
 15 receipts of the fund to which the moneys invested belong and shall be credited to the  
 16 appropriation account under s. 20.536 (1) (k). )

→ #. Page 464, line 2: after that line insert:  
 "SECTION 18. 25.17 (1) (ai) of the statutes is created to read:  
 L 6955 b

17           25.17 (1) (ai) Agricultural college fund (s. 24.82), but subject to the terms of  
 18 delegation under s. 24.61 (2) (c);  
 19 SECTION 19. 25.17 (1) (ax) of the statutes is created to read:  
 L 695 M

20           25.17 (1) (ax) Common school fund (s. 24.76), but subject to the terms of  
 21 delegation under s. 24.61 (2) (c); )  
 22 #. Page 464, line 8: after that line insert:

→ #. Page 464, line 8: after that line insert:  
 "SECTION 20. 25.17 (1) (kd) of the statutes is created to read:  
 L 698 c

23           25.17 (1) (kd) Normal school fund (s. 24.80), but subject to the terms of  
 24 delegation under s. 24.61 (2) (c); )  
 25

#. Page 464, line 10: after that Amendment:

① SECTION ~~21~~<sup>699M</sup> 25.17 (1) (xm) of the statutes is created to read:

2 25.17 (1) (xm) University fund (s. 24.81), but subject to the terms of delegation  
3 under s. 24.61 (2) (c);

④ SECTION ~~22~~<sup>699S</sup> 25.17 (1) (zm) of the statutes is amended to read:

5 25.17 (1) (zm) All other funds of the state or of any state department or  
6 institution, except funds which under article X of the constitution are controlled and  
7 invested by the board of commissioners of public lands, funds which are required by  
8 specific provision of law to be controlled and invested by any other authority, and  
9 moneys in the ~~university~~ University of Wisconsin trust funds, and in the trust funds  
⑩ of the state universities. ’),

11

(END)



State of Wisconsin  
1999 - 2000 LEGISLATURE

LRBb0947/1  
RAC:kmg:ch

SDC:.....Walter - Caucus #2759, Investment of funds controlled by BCPL

FOR 1999-01 BUDGET — NOT READY FOR INTRODUCTION

**CAUCUS AMENDMENT**

**TO ASSEMBLY SUBSTITUTE AMENDMENT 1,**

**TO 1999 ASSEMBLY BILL 133**

1 At the locations indicated, amend the substitute amendment as follows:

2 **1.** Page 390, line 16: after that line insert:

3 **“SECTION 593er.** 20.536 (1) (k) of the statutes is amended to read:

4 20.536 (1) (k) *General program operations.* The amounts in the schedule for  
5 investing the funds which it controls. All moneys received by the board in advance  
6 shall be credited to this appropriation. On July 1 and January 1 of each year, the  
7 board shall estimate the amounts required for the next 6-month period and bill the  
8 state agencies for whom investments are made. At the end of each semiannual period  
9 the board shall reconcile its expenditures and shall adjust its next billing to such  
10 agencies to reflect any deficits or excesses. At the end of each fiscal year the board

1 shall reconcile its accounts and report to each state agency its share of total expenses  
2 for the year. Amounts billed to state agencies shall be charged to income or revenue  
3 received from the board's investments. Any amounts received under ~~s. ss. 24.62 (1),~~  
4 25.16 (8) and 25.17 (9) shall also be credited to this appropriation. The amounts  
5 expended under this paragraph may not exceed the amounts shown in the schedule  
6 for each year of the biennium, unless supplemented from the board's receipts by the  
7 joint committee on finance.”.

8 **2.** Page 462, line 7: after that line insert:

9 **“SECTION 689b.** 24.61 (2) (a) (title) of the statutes is amended to read:

10 24.61 (2) (a) (title) *Authorized investments by board.*

11 **SECTION 689d.** 24.61 (2) (a) 3. of the statutes is amended to read:

12 24.61 (2) (a) 3. Bonds and notes of this state.

13 **SECTION 689fh.** 24.61 (2) (b) of the statutes is amended to read:

14 24.61 (2) (b) *Deposited with state treasurer.* All bonds, notes and other  
15 securities ~~so purchascd~~ under par. (a) shall be deposited with the state treasurer.

16 **SECTION 689j.** 24.61 (2) (c) of the statutes is created to read:

17 24.61 (2) (c) *Delegation of investment authority to investment board.* The board  
18 may delegate to the investment board the authority to invest part or all of the moneys  
19 belonging to the trust funds. If the board delegates the authority, the investment  
20 board may invest the moneys belonging to the trust funds in any manner authorized  
21 for the investment of any funds specified in s. 25.17 (1).

22 **SECTION 689L.** 24.62 (1) of the statutes is amended to read:

23 24.62 (1) Except as authorized in sub. (2), the board shall deduct its expenses  
24 incurred in administering investments and loans under s. 24.61 from the gross

1 receipts of the fund to which the interest and income of the investment or loan will  
2 be added. If the board delegates to the investment board the authority to invest part  
3 or all of the moneys belonging to the trust funds, the investment board shall deduct  
4 its expenses incurred in administering investments under s. 24.61 from the gross  
5 receipts of the fund to which the interest and income of the investment will be  
6 added.”.

7 **3.** Page 463, line 14: after that line insert:

8 “**SECTION 694s.** 25.16 (8) of the statutes is created to read:

9 25.16 (8) The executive director shall assign an investment professional to  
10 assist the board of commissioners of public lands in establishing and maintaining  
11 investment objectives with respect to the investment of the assets of the agricultural  
12 college fund, the common school fund, the normal school fund and the university  
13 fund. An amount equal to the cost of any services rendered to the board of  
14 commissioners of public lands under this subsection shall be deducted from the gross  
15 receipts of the fund to which the moneys invested belong and shall be credited to the  
16 appropriation account under s. 20.536 (1) (k).”.

17 **4.** Page 464, line 2: after that line insert:

18 “**SECTION 695b.** 25.17 (1) (ai) of the statutes is created to read:

19 25.17 (1) (ai) Agricultural college fund (s. 24.82), but subject to the terms of  
20 delegation under s. 24.61 (2) (c);

21 **SECTION 695m.** 25.17 (1) (ax) of the statutes is created to read:

22 25.17 (1) (ax) Common school fund (s. 24.76), but subject to the terms of  
23 delegation under s. 24.61 (2) (c);”.

24 **5.** Page 464 line 8: after that line insert:



