



STATE OF WISCONSIN Assembly Journal Ninety–Third Regular Session

12:00 Noon

THURSDAY, June 26, 1997

The Assembly met in the Assembly Chamber located in the State Capitol.

Speaker Brancel in the chair.

The Assembly dispensed with the call of the roll.

AMENDMENTS OFFERED

Assembly substitute amendment 1 to **Assembly Bill 273** offered by Representative Lorge.

MESSAGE FROM THE SENATE

By Donald J. Schneider, Senate Chief Clerk.

Mr. Speaker:

I am directed to inform you that the Senate has

Concurred in:

Assembly Bill 79
Assembly Bill 248

EXECUTIVE COMMUNICATIONS

State of Wisconsin
Office of the Governor
Madison

June 24, 1997

To the Honorable Members of the Assembly:

The following bill(s), originating in the Senate or the Assembly, have been approved, signed and deposited in the office of the Secretary of State:

<u>Bill Number</u>	<u>Act Number</u>	<u>Date Approved</u>
AB 152	9	June 24, 1997
AB 268	10	June 24, 1997

Respectfully submitted,
TOMMY G. THOMPSON
Governor

COMMUNICATIONS

State of Wisconsin
Office of the Secretary of State
Madison

To Whom It May Concern:

Acts, Joint Resolutions and Resolutions deposited in this office have been numbered and published as follows:

<u>Bill Number</u>	<u>Act Number</u>	<u>Publication Date</u>
Assembly Bill 152	9	June 25, 1997
Assembly Bill 268	10	June 25, 1997

Sincerely,
DOUGLAS LA FOLLETTE
Secretary of State

AGENCY REPORTS

State of Wisconsin
Investment Board
Madison

June 17, 1997

To the Honorable, the Legislature:

Section 25.17(14r) of the Statutes requires that the State of Wisconsin Investment Board (SWIB) submit a report to the Joint Committee on Audit, Joint Committee on Finance, and Chief Clerks of each House summarizing any change in the Board's investment policies, upon adoption of the change.

On June 5, 1997, the Board approved the attached modifications to the Investment Policy Guidelines for the State Investment Fund (SIF) and the Local Government Property Insurance Fund (LGPI). Additions to the previous guidelines for the SIF are shaded and deletions are the stricken material. Due to substantial changes to the LGPI policy guidelines, attached are the original guidelines as well as a copy of the revised policies.

SIF GUIDELINE CHANGES

Attached are modifications which were made to the Investment Policy Guidelines for the "Wisconsin Certificate of Deposit Program" presently operated within the SIF portfolio. These changes serve to compliment other recent modifications made to the Wisconsin CD program which were reported to you in a letter dated April 14, 1997. These changes have been made in an overall effort to make the program more attractive to Wisconsin banks and thrifts without impairing SWIB's ability to earn a competitive rate of return.

The revisions have the following effect on the Wisconsin CD program:

- * The program funding allocation of \$300 million (face value) of CD investment was expressly added to the guidelines. Previous guidelines merely had limits set at the individual maturity level. Staff fully expect the program to reach it's maximum funding allocation this year. Presently, the program has an outstanding value of \$196.8 million. In 1996, under the previous guidelines, the program's maximum outstanding value was \$80 million.
- * The dollar limits for the various maturities have been modified as a response to greater demand by participating financial institutions for three- and six-month CDs. Under the new guidelines, SWIB could conceivably have up to the program limit of \$300 million in either maturity. Additionally, to reflect lesser demand for longer maturities, limits for the two- and three-year CDs were lowered from \$50 million to \$40 million and \$35 million respectively.

These limit changes benefit both the participating Wisconsin financial institutions and the overall management of the SIF. By increasing the limits for shorter-term maturities, participating financial institutions have their needs met. Additionally, concentration in more liquid investments provides SIF management with increased flexibility to quickly respond to broader market changes.

- * A provision was added to the guidelines which limits the amount which can be invested by SWIB with any one bank holding company to \$30 million. The previous policy included limits only for the amount which could be invested with individual banks/thrifts, without regard to holding companies. This added stipulation is intended to prevent domination in the program by any one holding company.

LGPI GUIDELINE CHANGES

The LGPI was created by ch. 605 of the Statutes and is administered by the Office of the Commissioner of Insurance (OCI). It provides a vehicle through which any local governmental unit in Wisconsin may insure its property against damage or destruction. SWIB manages the investment

of these funds. The investment objectives are to ensure safety of principal and maximize return within liquidity needs established by OCI.

Based on discussions with OCI, the guidelines for operation of the LGPI were rewritten to include the following:

- * The new guidelines remove the explicit liquidity requirement of 0.1% of the volume of insurance in force. Instead, the policy states that the OCI is responsible for ensuring that an adequate liquidity reserve is maintained to pay claims. This allows the OCI to better match cash demands with investment strategy.
- * A quality rating restriction of "A" is now in place at the issue level. This is consistent with the mandate of the Fund to ensure safety of principal.
- * The new guidelines clarify allowable investments. Although this has no material impact on the manner in which the Fund operates, the new guidelines specify that the Fund may participate in the U.S. Treasuries and government agencies market as well as the corporate market without a restriction on the amount of the fund which may be invested in this sector. (Corporate purchases are limited, however, to 3% of the fund's market value per issuer.) The policy also states that the LGPI may hold up to 3% of its market value in "AAA" rated mortgage-backed or asset-backed securities.
- * The maturity limit of LGPI investments was specified to be 10 years. This reflects the liquidity need of the Fund.

Please contact me if you have any questions.

Sincerely,
PATRICIA LIPTON
Executive Director, SWIB

State of Wisconsin
Legislative Audit Bureau
Madison

June 24, 1997

To the Honorable, the Assembly:

We have completed financial audits of the Mendota and Winnebago Mental Health Institutes for fiscal year 1995-96. We were able to provide unqualified opinions on the Institutes' financial statements. However, we noted that on an accrual basis, a Mendota Mental Health Institute had a loss of over \$836,000 and Winnebago Mental Health Institute had a loss of over \$3 million. In addition, the Institutes combined had a \$10.9 million unsupported cash deficit on June 30, 1996. Therefore, it appears the cash deficit will not be eliminated by July 1, 1999, as required by legislative mandate. However, a proposal to increase reimbursement for services provided to Medical Assistance patients is currently under legislative

consideration. If enacted, the higher Medical Assistant revenues would help reduce the accumulated deficit.

Detailed copies of the audit report have been distributed to members of the Joint Audit Committee and those required by law to receive detailed copies. If you are interested in receiving a copy of the audit report, please contact our office and request a copy of report 97-10.

Sincerely,
DALE CATTANACH
State Auditor

ADJOURNMENT

Representative Foti moved that the Assembly stand adjourned until 10:00 A.M. on Tuesday, July 1.

The question was: Shall the Assembly stand adjourned?

Motion carried.

The Assembly stood adjourned.

12:01 P.M.