

2019 DRAFTING REQUEST

Bill

For: **Legislative Council -study emmte** Drafter: **emueller**
 By: **Zach Ramirez** Secondary Drafters:
 Date: **11/19/2018** May Contact:
 Same as LRB:

Submit via email: **YES**
 Requester's email: **Zach.Ramirez@legis.wisconsin.gov**
 Carbon copy (CC) to: **eric.mueller@legis.wisconsin.gov**
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zachary.wyatt@legis.wisconsin.gov
Rachel.Snyder@legis.wisconsin.gov

Pre Topic:

No specific pre topic given

Topic:

Contract with state investment board

Instructions:

AA1-AB857 in bill form. Omit use of fund moneys material.

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?	emueller 11/21/2018	kfollett 11/26/2018			
/P1	emueller 11/28/2018		dwalker 11/26/2018		State S&L
/1	emueller 11/29/2018	kfollett 11/29/2018	mbarman 11/29/2018		State S&L
/2		kfollett	mbarman	lparisi	State

Vers. Drafted

Reviewed
11/29/2018

Submitted
11/29/2018

Jacketed
2/13/2019

Required
S&L

FE Sent For:

<END>

At Intro

Mueller, Eric

From: Ramirez, Zach
Sent: Friday, November 16, 2018 1:59 PM
To: Mueller, Eric; Snyder, Rachel
Subject: Draft

Hi Eric,

We have a new drafting request.

The requester for the draft should be the Joint Legislative Council Study Committee on the Investment and Use of the School Trust Funds.

The draft should be a committee draft with no LRB analysis and space for Legislative Council prefatory notes.

The content for the draft should be the same as 0439/P1.

Please let us know if you have any questions.

Thanks,
Zach

Zach Ramirez
Staff Attorney
Wisconsin Legislative Council
(608) 504-5726
zach.ramirez@legis.wi.gov



State of Wisconsin
2019 - 2020 LEGISLATURE

LRB-0439/P2 0848/P1
EVM:kjf

RWR

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

11/26/18

1 **AN ACT to amend** 20.507 (1) (h), 20.536 (1) (k), 24.61 (2) (c), 25.17 (1) (afp), 25.17
2 (1) (axp), 25.17 (1) (kd) and 25.17 (1) (xLc) of the statutes; **relating to:** the
3 authority of the Board of Commissioners of Public Lands to delegate authority
4 to invest trust fund moneys and making an appropriation.

Analysis by the Legislative Reference Bureau

This bill alters the authority of the Board of Commissioners of Public Lands to delegate its authority to invest state trust fund moneys.

Under current law, BCPL manages the common school fund, the normal school fund, the university fund, and the agricultural college fund (trust funds). Currently, BCPL may delegate authority to the State of Wisconsin Investment Board to invest the moneys belonging to the trust funds, but SWIB may invest the moneys only in fixed income investments or funds that invest only in fixed income instruments.

Under this bill, BCPL may contract with SWIB to invest trust fund moneys, and SWIB may invest the moneys in accordance with SWIB's standard of responsibility. This standard requires that SWIB 1) manage the moneys as would a prudent person acting in a similar situation; 2) adequately diversify investments; and 3) administer trust fund moneys for the purpose of ensuring the fulfillment of the purpose of each trust fund.

anal: jlc note →
For further information see the *state and local* 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:

1 **SECTION 1.** 20.507 (1) (h) of the statutes is amended to read:

2 20.507 (1) (h) *Trust lands and investments — general program operations.* The
3 amounts in the schedule for the general program operations of the board as provided
4 under ss. 24.04, 24.09 (1) (bm), 24.53, 24.61 (2) (c), and 24.62 (1). All amounts
5 deducted from the gross receipts of the appropriate funds as provided under ss. 24.04,
6 24.09 (1) (bm), 24.53, and 24.62 (1) shall be credited to this appropriation account.
7 Notwithstanding s. 20.001 (3) (a), the unencumbered balance at the end of each fiscal
8 year shall be transferred to the trust funds, as defined under s. 24.60 (5). The amount
9 transferred to each trust fund, as defined under s. 24.60 (5), shall bear the same
10 proportion to the total amount transferred to the trust funds that the gross receipts
11 of that trust fund bears to the total gross receipts credited to this appropriation
12 account during that fiscal year.

13 **SECTION 2.** 20.536 (1) (k) of the statutes is amended to read:

14 20.536 (1) (k) *General program operations.* All moneys received from
15 assessments made under s. 25.187 (2) and from charges made under s. 25.17 (9), and
16 from contracts entered into under s. 24.61 (2) (c), for the purpose of conducting
17 general program operations.

18 **SECTION 3.** 24.61 (2) (c) of the statutes is amended to read:

19 24.61 (2) (c) *Delegation of investment authority to Contracting with investment*
20 *board.* The board of commissioners of public lands may delegate to contract with the
21 investment board ~~the authority~~ to invest part or all of the moneys belonging to the

1 trust funds. If the board ~~delegates the authority, of commissioners of public lands~~
2 contracts with the investment board, the investment board may invest the moneys
3 belonging to the trust funds in ~~any fixed income investment or fund that invests only~~
4 in fixed income instruments accordance with the investment board's standard of
5 responsibility specified in s. 25.15 (2). All moneys received by the investment board
6 under this paragraph shall be credited to the appropriation account under s. 20.536
7 (1) (k).

8 SECTION 4. 25.17 (1) (afp) of the statutes is amended to read:

9 25.17 (1) (afp) Agricultural college fund (s. 24.82), but subject to the terms of
10 delegation the contract under s. 24.61 (2) (c);

11 SECTION 5. 25.17 (1) (axp) of the statutes is amended to read:

12 25.17 (1) (axp) Common school fund (s. 24.76), but subject to the terms of
13 delegation the contract under s. 24.61 (2) (c);

14 SECTION 6. 25.17 (1) (kd) of the statutes is amended to read:

15 25.17 (1) (kd) Normal school fund (s. 24.80), but subject to the terms of
16 delegation the contract under s. 24.61 (2) (c);

17 SECTION 7. 25.17 (1) (xLc) of the statutes is amended to read:

18 25.17 (1) (xLc) University fund (s. 24.81), but subject to the terms of ~~delegation~~
19 the contract under s. 24.61 (2) (c);

20 (END)

Mueller, Eric

From: Ramirez, Zach
Sent: Wednesday, November 28, 2018 4:10 PM
To: Snyder, Rachel; Mueller, Eric
Subject: FW: Draft review: LRB -0848/P1
Attachments: SWIB Draft Pref Note.docx

Hi Eric,

Please use the attached document for the Legislative Council prefatory note for this draft. Please let us know if you have any questions. Thanks!

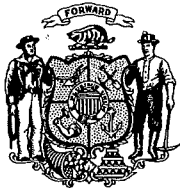
From: LRB.Legal <lrblegal@legis.wisconsin.gov>
Sent: Monday, November 26, 2018 10:53 AM
To: Ramirez, Zach <Zach.Ramirez@legis.wisconsin.gov>
Subject: Draft review: LRB -0848/P1

Following is the PDF version of draft LRB -0848/P1.

Current law generally authorizes the Board of Commissioners of Public Lands (BCPL) to invest the Common, Normal, University, and Agricultural College Funds (school trust funds) in any type of investment, as long as it invests "with the care an ordinarily prudent person in a like position would exercise under similar circumstances" in accordance with the standard of conduct for investing an institutional fund.

Under current law, the BCPL is authorized to delegate to the State of Wisconsin Investment Board (SWIB) the authority to invest part or all of the moneys belonging to the school trust funds. However, SWIB may invest the moneys only in fixed income investments or in funds that invest only in fixed income instruments.

Under this bill, the BCPL may contract with SWIB to invest school trust fund moneys, SWIB may be compensated as provided for in the contract, and SWIB may invest the moneys in accordance with the standard that applies to SWIB's investment of the other funds under its management. This standard requires that SWIB: (1) manage the moneys as would a prudent person acting in a similar situation; (2) adequately diversify investments; and (3) administer trust fund moneys for the purpose of ensuring the fulfillment of the purpose of each trust fund, at a reasonable cost.



State of Wisconsin
2019 - 2020 LEGISLATURE

LRB-0848/P1
EVM:kjf

RMR

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

INSERT

11/29/18

1 AN ACT *to amend* 20.507 (1) (h), 20.536 (1) (k), 24.61 (2) (c), 25.17 (1) (afp), 25.17
2 (1) (axp), 25.17 (1) (kd) and 25.17 (1) (xLc) of the statutes; **relating to:** the
3 authority of the Board of Commissioners of Public Lands to delegate authority
4 to invest trust fund moneys and making an appropriation.

Analysis by the Legislative Reference Bureau

This bill is explained in the NOTES provided by the Joint Legislative Council in the bill.

For further information see the ***state and local*** 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:

INS
1-5

5 SECTION 1. 20.507 (1) (h) of the statutes is amended to read:
6 20.507 (1) (h) *Trust lands and investments — general program operations.* The
7 amounts in the schedule for the general program operations of the board as provided
8 under ss. 24.04, 24.09 (1) (bm), 24.53, 24.61 (2) (c), and 24.62 (1). All amounts

1 deducted from the gross receipts of the appropriate funds as provided under ss. 24.04,
2 24.09 (1) (bm), 24.53, and 24.62 (1) shall be credited to this appropriation account.
3 Notwithstanding s. 20.001 (3) (a), the unencumbered balance at the end of each fiscal
4 year shall be transferred to the trust funds, as defined under s. 24.60 (5). The amount
5 transferred to each trust fund, as defined under s. 24.60 (5), shall bear the same
6 proportion to the total amount transferred to the trust funds that the gross receipts
7 of that trust fund bears to the total gross receipts credited to this appropriation
8 account during that fiscal year.

9 **SECTION 2.** 20.536 (1) (k) of the statutes is amended to read:

10 20.536 (1) (k) *General program operations.* All moneys received from
11 assessments made under s. 25.187 (2) and from charges made under s. 25.17 (9), and
12 from contracts entered into under s. 24.61 (2) (c), for the purpose of conducting
13 general program operations.

14 **SECTION 3.** 24.61 (2) (c) of the statutes is amended to read:

15 24.61 (2) (c) *Delegation of investment authority to Contracting with investment*
16 *board.* The board of commissioners of public lands may delegate to contract with the
17 investment board the authority to invest part or all of the moneys belonging to the
18 trust funds. If the board delegates the authority, of commissioners of public lands
19 contracts with the investment board, the investment board may invest the moneys
20 belonging to the trust funds in any fixed income investment or fund that invests only
21 in fixed income instruments accordance with the investment board's standard of
22 responsibility specified in s. 25.15 (2). All moneys received by the investment board
23 under this paragraph shall be credited to the appropriation account under s. 20.536
24 (1) (k).

25 **SECTION 4.** 25.17 (1) (afp) of the statutes is amended to read:

**2019-2020 DRAFTING INSERT
FROM THE
LEGISLATIVE REFERENCE BUREAU**

LRB-0848/lins
EVM:kjf

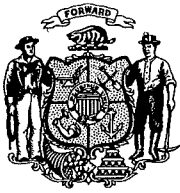
1 INS 1-5

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JOINT LEGISLATIVE COUNCIL PREFATORY NOTE: Current law generally authorizes the Board of Commissioners of Public Lands (BCPL) to invest the Common, Normal, University, and Agricultural College Funds (school trust funds) in any type of investment, as long as it invests "with the care an ordinarily prudent person in a like position would exercise under similar circumstances" in accordance with the standard of conduct for investing an institutional fund.

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Under this bill, ~~the~~ BCPL may contract with SWIB to invest school trust fund moneys, SWIB may be compensated as provided for in the contract, and SWIB may invest the moneys in accordance with the standard that applies to SWIB's investment of the other funds under its management. This standard requires that SWIB: (1) manage the moneys as would a prudent person acting in a similar situation; (2) adequately diversify investments; and (3) administer trust fund moneys for the purpose of ensuring the fulfillment of the purpose of each trust fund, at a reasonable cost.



State of Wisconsin
2019 - 2020 LEGISLATURE

LRB-0848/1 2

EVM:kjf

(BMR)

2019 BILL

11/29/18

1 AN ACT to amend 20.507 (1) (h), 20.536 (1) (k), 24.61 (2) (c), 25.17 (1) (afp), 25.17
2 (1) (axp), 25.17 (1) (kd) and 25.17 (1) (xLc) of the statutes; relating to: the
3 authority of the Board of Commissioners of Public Lands to delegate authority
4 to invest trust fund moneys and making an appropriation.

Analysis by the Legislative Reference Bureau

This bill is explained in the NOTES provided by the Joint Legislative Council in the bill.

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

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Under this bill, the BCPL may contract with SWIB to invest school trust fund moneys, SWIB may be compensated as provided for in the contract, and SWIB may invest the moneys in accordance with the standard that applies to SWIB's investment of the other funds under its management. This standard requires that SWIB: (1) manage the moneys as would a prudent person acting in a similar situation; (2) adequately diversify investments; and (3) administer trust fund moneys for the purpose of ensuring the fulfillment of the purpose of each trust fund, at a reasonable cost.

1 **SECTION 1.** 20.507 (1) (h) of the statutes is amended to read:

2 20.507 (1) (h) *Trust lands and investments — general program operations.* The
3 amounts in the schedule for the general program operations of the board as provided
4 under ss. 24.04, 24.09 (1) (bm), 24.53, 24.61 (2) (c), and 24.62 (1). All amounts
5 deducted from the gross receipts of the appropriate funds as provided under ss. 24.04,
6 24.09 (1) (bm), 24.53, and 24.62 (1) shall be credited to this appropriation account.
7 Notwithstanding s. 20.001 (3) (a), the unencumbered balance at the end of each fiscal
8 year shall be transferred to the trust funds, as defined under s. 24.60 (5). The amount
9 transferred to each trust fund, as defined under s. 24.60 (5), shall bear the same
10 proportion to the total amount transferred to the trust funds that the gross receipts
11 of that trust fund bears to the total gross receipts credited to this appropriation
12 account during that fiscal year.

13 **SECTION 2.** 20.536 (1) (k) of the statutes is amended to read:

14 20.536 (1) (k) *General program operations.* All moneys received from
15 assessments made under s. 25.187 (2) and from charges made under s. 25.17 (9), and
16 from contracts entered into under s. 24.61 (2) (c), for the purpose of conducting
17 general program operations.

18 **SECTION 3.** 24.61 (2) (c) of the statutes is amended to read:

19 24.61 (2) (c) *Delegation of investment authority to Contracting with investment*
20 *board.* The board of commissioners of public lands may delegate to contract with the
21 investment board the authority to invest part or all of the moneys belonging to the

BILL

1 trust funds. If the board ~~delegates the authority, of commissioners of public lands~~
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4 in fixed income instruments accordance with the investment board's standard of
5 responsibility specified in s. 25.15 (2). All moneys received by the investment board
6 under this paragraph shall be credited to the appropriation account under s. 20.536
7 (1) (k).

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9 25.17 (1) (afp) Agricultural college fund (s. 24.82), but subject to the terms of
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19 the contract under s. 24.61 (2) (c);

20 (END)

jacket per evm

0848/2

0438/1

Assembly

Rachel Snyder