



Legislative Fiscal Bureau

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July 18, 2013

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Investment Board: Annual Budget, Position, and Performance Report to the Joint Committee on Finance

Under s. 25.17(13r) of the statutes, the Executive Director of the State of Wisconsin Investment Board (SWIB), or his or her designee, is required to appear at the first quarterly meeting of the Joint Committee on Finance under s. 13.10 of the statutes in each fiscal year to provide an update of SWIB's budget changes, position authorization changes, assessment of the funds under management, and performance of the funds under management for the current and next fiscal year. In 2012-13, the report was delayed until the July 18, 2013, meeting of the Committee.

The reason for this report relates to 2011 Wisconsin Act 32 provisions that modified SWIB's authority with respect to the Board's budget and position levels.

Under prior law, the agency's budget for a fiscal year could not exceed the greater of the amount that the Board could have assessed the trust funds in the second year of the prior fiscal biennium or 0.0325% of the average market value of the assets of the funds at the end of each month between November 30 and April 30 of the preceding fiscal year. This prior-law mechanism for establishing SWIB's operating budget (s. 25.187(2)(c) of the statutes) was repealed in Act 32. In addition, under prior law, changes in the authorized position level for the Board needed to be approved by the Legislature or by the Committee under s. 16.505 of the statutes.

Under Act 32, the Investment Board was authorized to establish SWIB's operating budget each year and monitor the fiscal management of the budget. Further, SWIB's Executive Director was authorized to create or abolish staff positions. Under the Act 32 provisions, SWIB's budget was established at \$30 million in 2011-12 (with actual expenditures of \$28.7 million) and \$35.3 million in 2012-13. Position authority for the agency totaled 136.6 in 2011-12 and increased to 145.10 in 2012-13. The budget and position authority for 2013-14, approved by the Board in June, 2013, totals \$44.6 million and 148.1 positions.

In addition to the required annual report now before the Committee, Act 32 also requires that SWIB provide quarterly reports to the Department of Administration, the Co-Chairpersons of the Joint Committee on Finance and the Co-Chairpersons of the Joint Committee on Audit, identifying all operating expenditures and the number of full-time equivalent positions created or abolished during that quarter.

The intent of the Act 32 quarterly reporting requirement is to assure that the executive branch and the Legislature are kept apprised of the status of SWIB's determinations of budget and position authority, given the Board's authority to make these determinations under the Act 32 provisions. The annual appearance of SWIB officials before the Committee also serves this function and, in addition, provides Committee members with the opportunity to ask questions or request additional information from SWIB.

Prepared by: Art Zimmerman