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 DIGEST
 

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SB 223 Reengrossed

2017 Regular Session

Riser

Present law authorizes up to 10% of the funds held in the La. Education Quality Trust Fund to be held in types of funds consisting solely of international securities.

Proposed law adds separately managed accounts to the types of funds consisting solely of international securities that fall under the limit of present law.

Proposed law states that its purpose is to assure that monies in the state's special funds are not used directly or indirectly to support terrorist activities and that state funds are not invested in companies connected to countries that support terrorism.

Proposed law prohibits the investment fund manager of any special fund to purchase any investment in a prohibited nation, in a company located in a prohibited nation, or in a mutual fund containing investments in a company located in a prohibited nation.

Proposed law defines "company" as foreign domiciled and not owned in whole or part by a domestic company.

Proposed law defines a "prohibited nation" as nation on the list of countries designated as state sponsors of terrorism on a report prepared by the U.S. Dept. of State, which as of 2015, listed Iran, Sudan, or Syria.

Proposed law applies to the following special funds:

The funds listed in Part II-A of Chapter 1 of Title 39, beginning with R.S. 39:91, the funds defined in Const. Art. VII, §§10-A, 10.1 through 10.14, and 27, which include the following:

- (a) Millennium Trust, three special subfunds, namely, Education Excellence Trust Fund, the Health Excellence Fund, and the TOPS Fund.
- (b) Deepwater Horizon Economic Damages Collection Fund.
- (c) Budget Stabilization Fund.
- (d) Mineral Revenue Audit and Fund Settlement Fund.
- (e) Louisiana Asbestos Detection and Abatement Fund.
- (f) Coastal Protection and Restoration Fund.
- (g) Sports Facility Assistance Fund.
- (h) Health Care Redesign Fund.
- (i) Community Water Enrichment Fund.
- (j) Grants for Grads Fund.
- (k) Sickle Cell Fund.
- (l) Major Events Fund.
- (m) Transportation Trust Fund.
- (n) Louisiana Wildlife and Fisheries Conservation Fund.
- (o) Louisiana Education Quality Trust Fund.
- (p) Louisiana Education Quality Support Fund.
- (q) Higher Education Louisiana Partnership Fund.
- (r) Oilfield Site and Restoration Fund.
- (s) Oil Spill Contingency Fund.
- (t) Louisiana Fund.
- (u) Artificial Reef Development Fund.
- (v) Agricultural and Seafood Products Support Fund.
- (w) Hospital Stabilization Fund.
- (x) Louisiana Medical Assistance Trust Fund.
- (y) Payments Toward the UAL Fund.
- (z) Overcollections Fund.

- (aa) FEMA Reimbursement Fund.
- (bb) State Emergency Response Fund.
- (cc) Louisiana Interoperability Communications Fund.
- (dd) New Opportunities Waiver Fund.
- (ee) Revenue Stabilization Trust Fund.
- (ff) Center of Excellence for Autism Spectrum Disorder Fund.
- (gg) Unfunded Accrued Liability and Specialized Educational Institutions Support Fund.
- (hh) Higher Education Financing Fund.
- (ii) Tobacco Settlement Enforcement Fund.

Proposed law provides that, on or before July 1, 2018, and every July first thereafter, the treasurer shall file a report with the legislature. The report shall include the following:

- (1) A list of investments the treasurer has in companies with business operations that satisfy the criteria for investments in prohibited nations, including the issuer and the name of the investment.
- (2) A detailed summary of the business operations in prohibited nations of any company included on the list prepared pursuant to proposed law.

Proposed law requires investment fund managers to certify that the requirements of proposed law have been made in a report submitted to the treasurer each March 31<sup>st</sup>. Proposed law provides that the report shall include the name of each such investment which was made by the investment fund manager, the asset allocation class and sector to which it belongs pursuant to the special fund's asset allocation policy, and the amount of money of the special fund that is invested in the prohibited nations.

If monies in a special fund are invested in a prohibited nation, the report shall include all information regarding the plan to divest the special funds of all such investments and a timetable for such divestment.

Proposed law provides that beginning with the report due on March 31, 2019, the report shall contain certification that no investments have been purchased in violation of proposed law for the prior calendar year.

Proposed law requires the treasurer to provide a copy of the report to the speaker of the House of Representatives, the president of the Senate, and the legislative auditor within 30 days of receipt. Requires the treasurer to also screen current investments in special funds. Requires the treasurer to certify if there are no investments in a prohibited nation or companies in the prohibited nation with the copy of the report provided.

Proposed law provides that if, after screening the investments in the special fund, the treasurer determines that monies in a special fund are invested in a prohibited nation, or in a company that is located in a prohibited nation, or in a mutual fund which contains investments in a company that is located in a prohibited nation, the treasurer shall certify the finding with the copy of the report provided. Requires that the report include a plan to divest a special fund of the investments and a timetable for divestment.

Proposed law provides that, when an investment fund manager contracts with the state or enters into a renewal contract to provide services to the state related to the special funds, the investment fund manager shall certify as part of his initial contract, or a renewal of a contract, that the investment fund manager agrees not to invest or purchase any investments for any special fund in a prohibited nation, or in a company that is located in a prohibited nation, or in a mutual fund which contains investments in a prohibited nation.

Proposed law provides that the treasurer shall adopt any rules pursuant to the Administrative Procedure Act which are necessary to implement the provisions of proposed law.

Proposed law requires the treasurer to add or remove a nation from the list of prohibited nations, if the U.S. Dept. of State adds or removes that nation from the list of terror-sponsoring nations as of July 1<sup>st</sup> of the current fiscal year.

Proposed law provides that any investment fund manager who fails to comply with the provisions of proposed law will be prohibited from contracting or renewing a contract, with the state related to investment services for state special funds.

Effective July 1, 2017.

(Amends R.S. 17:3803(B)(1)(k); Adds R.S. 39:100.151 - 100.158)

Summary of Amendments Adopted by Senate

Senate Floor Amendments to engrossed bill

1. Changes definition of "prohibited nation" to include only Iran, Sudan, or Syria.
2. Adds on or before July 1, 2017, and every July first thereafter, the treasurer shall file a report with the legislature providing a list of investments and a detailed summary of business operations.
3. Requires the treasurer to identify any funds invested in a prohibited nation.
4. Requires the treasurer to file certain reports to the speaker of the House of Representatives and the president of the Senate.
5. Makes bureau and technical amendment changes.

Summary of Amendments Adopted by House

The Committee Amendments Proposed by House Committee on Appropriations to the reengrossed bill:

1. Add provisions adding "separately managed accounts" to the types of funds included in the 10% limit on investments in international securities by the La. Education Quality Trust Fund.
2. Change definition of "prohibited nation" to be nations on the list of terror-sponsoring nations published by the U.S. Dept. of State.
3. Change the date the initial the treasurer's annual report is due from July 1, 2017, to July 1, 2018.
4. Change the due dates of the reports the investment fund manager is required to submit and the period covered by the report, and clarifies that only one report per year is due from the investment fund manager for each fund.
5. Make technical changes.