

HOUSE BILL REPORT

HB 2694

As Reported By House Committee On:
Revenue

Title: An act relating to expenditures of earnings on investments.

Brief Description: Expanding uses for investment earnings.

Sponsors: Representatives G. Fisher and Dunshee.

Brief History:

Reported by House Committee on:
Revenue, February 8, 1994, DP.

HOUSE COMMITTEE ON REVENUE

Majority Report: Do pass. Signed by 11 members:
Representatives G. Fisher, Chair; Holm, Vice Chair;
Anderson; Brown; Caver; Cothorn; Leonard; Rust; Talcott;
Thibaudeau and Wang.

Minority Report: Do not pass. Signed by 4 members:
Representatives Foreman, Ranking Minority Member; Fuhrman,
Assistant Ranking Minority Member; Romero and Van Luven.

Staff: Rick Peterson (786-7150).

Background: The State Investment Board has investment management responsibility for 22 trust and retirement funds. The general expenses of the board are funded from the earnings of the funds managed by the board. The Legislature has appropriated about \$6.9 million for the operation of the State Investment Board during 1993-95.

Investment counseling fees are paid from the earnings of those assets being managed. These expenses are not appropriated but are taken directly from the investment earnings of the assets being managed.

The Governor's proposed supplemental budget requests a \$9.5 million additional appropriation to pay for litigation related to certain real estate investments from the 1980s.

Summary of Bill: Management fees, custody service fees, and legal services fees and related costs may be paid directly from the investment earnings of the assets for

which these services are used. No appropriation is required for this spending.

The supplemental appropriation of \$9.5 million requested in the Governor's budget will not be needed if this bill is adopted.

Fiscal Note: Requested January 27, 1994.

Effective Date: The bill is retroactive to July 1, 1993.

Testimony For: Until recently, the State Investment Board has not been faced with a litigation matter requiring a large expenditure of funds. Board members must have the authority to act promptly with respect to legal matters when they occur, to protect the funds and the interests of the fund beneficiaries. If legal services expenses, including litigation costs, are clearly determined to be an investment expense, then board members can fully exercise their statutory authority as a fiduciary.

Testimony Against: None.

Witnesses: Representative G. Fisher, prime sponsor; and Basil Schwan, State Investment Board.