

HOUSE BILL REPORT

SSB 6242

As Reported By House Committee On:

Higher Education

Appropriations

Title: An act relating to the Washington state endowment for higher education.

Brief Description: Creating the Washington state endowment for higher education.

Sponsors: Senate Committee on Higher Education (originally sponsored by Senators Wood, West, Bauer, Winsley, Kohl, Prince, Hale, Haugen, B. Sheldon, Patterson, Goings, Wojahn, Anderson, McAuliffe and Schow).

Brief History:

Committee Activity:

Higher Education: 2/26/98 [DP];

Appropriations: 2/28/98 [DPA].

HOUSE COMMITTEE ON HIGHER EDUCATION

Majority Report: Do pass. Signed by 8 members: Representatives Carlson, Chairman; Radcliff, Vice Chairman; Kenney, Assistant Ranking Minority Member; Butler; Dunn; O'Brien; Sheahan and Van Luven.

Staff: Sherie Story (786-7120).

Background: An endowment fund is a fund that provides a continuous future income for an institution or person. The income is continuous only if the investment earnings and not the principal of the fund are spent. In the past, Legislatures have combined the endowment fund concept and a matching fund requirement in order to provide for an ongoing income and an incentive for private sector contributions.

Washington's Distinguished Professorship program is an example of such a fund. Under the Distinguished Professorship program, the state appropriates \$250,000 per professorship to the Higher Education Coordinating Board. An institution may apply to the board for a \$250,000 match when the institution has private pledges or contributions of an equal amount. Once the private donation is actually received by the institution, the board asks the State Treasurer to release the state matching funds to a local endowment fund established by the institution for the professorship. Proceeds, but not the principal,

may be used to supplement the salary and expenses associated with the holder of the professorship.

Summary of Bill: The Washington State endowment for higher education is established to provide a permanent source of funding for quality improvements in Washington's public higher education system. The endowments are to be used solely for those purposes for which state funds may be unavailable or limited. The trust fund is administered by the State Treasurer, is not subject to appropriation, and is not to be used to supplant state appropriations.

Each higher education institution or its foundation is responsible for soliciting the matching private donations, investing and maintaining all endowment funds, administering the uses of the funds, and reporting to the Governor and the Legislature. Only the earnings from the endowment may be expended.

The appropriation to the trust fund is allocated in the following manner: (1) 32 percent for the State Board for Community and Technical Colleges (SBCTC); (2) 32 percent for the University of Washington; (3) 22 percent for Washington State University; and (4) 14 percent for the comprehensive institutions and The Evergreen State College (TESC). The SBCTC determines the allocation for the two-year colleges, while the 14 percent allocated for the comprehensive institutions and TESC is distributed based on a written agreement filed with the State Treasurer.

All of the state's public higher education institutions are eligible for disbursement from the trust fund when private matching funds have been raised and certified by the Higher Education Coordinating Board (HECB). Disbursements from the fund are possible when the private matching funds meet one of two qualifying conditions: (1) the funds were received by the institution or its foundation after April 1, 1998; or (2) the funds were received or pledged for the distinguished professorship or graduate fellowship matching grant programs and certified for state matching dollars by the HECB and for which public matching dollars have not been received.

A method for the distribution of any unmatched funds is established, making them available on a first-come basis to other institutions within the same sector on a percentage basis within five years or to any institution after six years.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: None.

Testimony Against: None.

Testified: None.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass as amended. Signed by 25 members: Representatives Huff, Chairman; Alexander, Vice Chairman; Clements, Vice Chairman; Wensman, Vice Chairman; H. Sommers, Ranking Minority Member; Doumit, Assistant Ranking Minority Member; Gombosky, Assistant Ranking Minority Member; Benson; Carlson; Chopp; Cody; Cooke; Crouse; Dyer; Grant; Keiser; Kenney; Kessler; Lambert; Linville; Mastin; McMorris; Sehlin; Sheahan and Talcott.

Minority Report: Do not pass. Signed by 3 members: Representatives Lisk; Poulsen and D. Schmidt.

Staff: Mary Alice Grobins (786-7118).

Summary of Recommendation of Committee on Appropriations Compared to Recommendation of Committee on Higher Education: Earnings from the Washington state endowment for higher education may be used for graduate fellowships, exceptional faculty awards, and distinguished professorships. Language permitting use of the earnings for other purposes is deleted. The requirement is eliminated for each institution to establish an advisory committee regarding use of its endowment fund. The principal of the endowment trust fund may not be spent. Timing is modified for the re-distribution of unmatched state appropriations to the endowments.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date of Amended Bill: Ninety days after adjournment of session in which bill is passed.

Testimony For: All of the state's 32 community and technical colleges and six baccalaureate institutions have collaborated on and support this bill. It is a proposal that will help the institutions foster community relationships, develop public/private partnerships, and leverage state dollars.

Testimony Against: The independent institutions are concerned about the impact of this bill on the overall fund raising community because the appeal of the state matching dollars results in an unlevel playing field. A feasibility study should be done prior to

implementation of this proposal. There is deep concern that the bill does not include the state's private institutions of higher education.

Testified: Terry Teale, Council of Presidents (pro); and Tom Parker, Washington Friends of Higher Education (concerns).