

HOUSE BILL REPORT

HB 2859

As Reported By House Committee On:
Higher Education

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

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

Sponsors: Representatives Sheahan, Carlson, O'Brien, Radcliff, Van Luven, H. Sommers, Mason, Gombosky, Morris, Butler, Dunn, Quall, Linville, Kenney, Gardner, Skinner, Costa, Chandler, Mastin, Delvin, Keiser, Hatfield, Kessler, Wolfe, Cooke, Constantine, Ogden, Cooper, D. Schmidt, Doumit, Robertson, Anderson, Dickerson, Lantz, Conway, Mulliken and McDonald.

Brief History:

Committee Activity:

Higher Education: 1/27/98, 2/3/98 [DPS].

HOUSE COMMITTEE ON HIGHER EDUCATION

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Carlson, Chairman; Radcliff, Vice Chairman; Mason, Ranking Minority Member; 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 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 used the endowment fund concept both to provide for an ongoing income and to provide an incentive for private sector contributions to public higher education. The incentive is created by requiring an equal match in private donations to the amount provided by the state in order to establish the endowment fund.

Washington's Distinguished Professorship program is an example of an endowment 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 Substitute Bill: The Washington State endowment for higher education is established to provide a permanent funding source for quality improvements in Washington's public higher education system. The endowment is to be used solely for those purposes for which state funds may be unavailable or limited. The trust fund of state matching funds for the endowment is to be administered by the State Treasurer, is not subject to appropriation, and is not to be used to supplant state appropriations. The interest from the Emergency Reserve Fund is dedicated to the Higher Education Endowment Fund.

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

The Emergency Reserve Fund interest that is deposited in 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, graduate fellowship or undergraduate scholarship, 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 seven years.

Substitute Bill Compared to Original Bill: The interest from the Emergency Reserve Fund is dedicated to the Higher Education Endowment Fund. The appropriations section is removed. The institutions' advisory committees regarding use of the endowment

earnings are required to include at least one student representative. Language is added clarifying that the principal of the endowment may not be spent. The time period after which state dollars in the endowment fund that remain unmatched revert to a common pool available to all institutions is extended from six years to seven years. Undergraduate scholarships are added to the list of intended uses for endowment earnings.

Appropriation: None.

Fiscal Note: Requested on February 2, 1998.

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

Testimony For: The proposed endowment would be a smart investment for the people of Washington as it enables the state to double its money and create a permanent legacy for higher education. It will help develop public/private partnerships and foster community relationships. This is the kind of creative proposal that legislators have been asking for. This proposal comes to the Legislature through a very collaborative effort on the part of all of Washington's public colleges and universities.

The fund raising efforts required under the bill will bring colleges and communities together, and inspire colleges to look good in the eyes of potential community donors. This provides a way for the institutions to go out and raise money and leverage the limited appropriation from the state. The community and technical colleges are experiencing strong support in their communities for the endowment. Community leaders who serve as college foundation directors, trustees and college contributors are enthusiastic. Private donors are most concerned with access to higher education and program quality - the endowment proposal addresses both of these priorities.

The Washington Student Lobby is in full support of the endowment proposal.

Testimony Against: None.

Testified: Dr. Richard McCormick, President, University of Washington; Dr. Steven Van Ausdle, Walla Walla Community College; Dr. Ivory Nelson, President, Central Washington University; Earle Hale, State Board for Community and Technical Colleges; Richard Albrecht, Board of Regents, Washington State University; Mike Worthy; David Wu, University of Washington; Sandy Desner, President, Desner Real Estate Developers; Darrell Morrison, State Board for Community and Technical Colleges; Adrienne Thompson, Washington Student Lobby, Western Washington University; Carolyn Clark, Council of Faculty Representatives; and JoAnn Tariani, Council of Faculty Representatives.