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**SUBSTITUTE HOUSE BILL 2859**

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**State of Washington**

**55th Legislature**

**1998 Regular Session**

**By** House Committee on Higher Education (originally sponsored by 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)

Read first time 02/03/98. Referred to Committee on .

1 AN ACT Relating to the Washington state endowment for higher  
2 education; amending RCW 43.84.092; and adding a new chapter to Title  
3 28B RCW.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 NEW SECTION. **Sec. 1.** The intent of this chapter is to provide a  
6 permanent funding source for quality improvements in Washington state's  
7 public higher education system. The legislature recognizes that the  
8 state's public higher education system can be strengthened by  
9 additional partnerships among individual donors, private corporations,  
10 and public institutions of higher education. The legislature further  
11 recognizes that partnerships among donors, the business community, and  
12 higher education can form the basis for direct accountability to  
13 achieve common goals. The legislature intends to create a matching  
14 fund program to assist public institutions of higher education in  
15 creating endowments financed jointly by public and private moneys.

16 The endowments are intended to recruit and retain the best faculty  
17 and students; to increase student scholarships, graduate fellowships,  
18 and distinguished professorships; to provide new ways to recognize  
19 quality teaching and public service; to fund quality initiatives for

1 curriculum development and service delivery; to provide incentives for  
2 innovative approaches to faculty development; and to secure the most  
3 advanced equipment, library resources, and technological innovations  
4 for higher education in our state. The legislature further recognizes  
5 that the demands for increased access to the state's public higher  
6 education system may constrain the state's higher education budget for  
7 the foreseeable future. However, the legislature also finds that the  
8 emergency reserve fund was established to benefit education in the  
9 state. Therefore, it is the intent of the legislature to augment the  
10 way in which the emergency reserve fund benefits education by  
11 dedicating the interest earned by the fund to a newly established  
12 endowment fund to be used solely for higher education quality  
13 improvements. The legislature intends that the endowments created by  
14 this chapter shall be used solely for those purposes for which state  
15 funds may be unavailable or limited in the normal biennial budget  
16 process.

17 NEW SECTION. **Sec. 2.** The definitions in this section apply  
18 throughout this chapter, unless the context clearly requires otherwise.

19 (1) "Comprehensive universities" means Central Washington  
20 University, Eastern Washington University, and Western Washington  
21 University.

22 (2) "Institution of higher education" means an institution of  
23 higher education as defined in RCW 28B.10.016.

24 (3) "Trust fund" means the Washington state endowment for higher  
25 education trust fund.

26 NEW SECTION. **Sec. 3.** (1) The Washington state endowment for  
27 higher education trust fund is established. Beginning June 1, 1998,  
28 interest earnings on the balance of the emergency reserve fund under  
29 RCW 43.135.045 shall be deposited in the trust fund. Emergency reserve  
30 fund interest earnings that are deposited in the trust fund shall be  
31 deposited in separate accounts in the state treasury for each four-year  
32 institution of higher education and the state board for community and  
33 technical colleges. The state treasurer shall administer the trust  
34 fund. Moneys in each of the accounts created in the trust fund are not  
35 subject to appropriation.

36 (2) State matching funds from the trust fund for quality  
37 improvements in public higher education, when combined with private

1 donations, may be used for one or more of the following purposes:  
2 Student scholarships, including undergraduate scholarships, graduate  
3 fellowships, distinguished professorships, faculty teaching awards,  
4 innovative approaches to faculty development, quality initiatives for  
5 curriculum development and service delivery, equipment, and library  
6 resources.

7 (3) The principal of the invested endowment fund shall not be  
8 invaded; only earnings or a portion thereof may be spent.

9 (4) Washington state endowment for higher education disbursements  
10 are eligible to match qualifying private contributions to institutions  
11 of higher education designated under this chapter if one of the two  
12 following conditions are met:

13 (a) The funds were received by the institution of higher education  
14 or its foundation after April 1, 1998; or

15 (b) The funds were received or pledged for the distinguished  
16 professorship or graduate fellowship matching grant programs, and  
17 certified for state matching dollars by the higher education  
18 coordinating board and for which public matching dollars have not been  
19 received.

20 (5) Endowment funds shall not be used to supplant state  
21 appropriations.

22 NEW SECTION. **Sec. 4.** The higher education coordinating board  
23 shall certify that private matching funds have been obtained by a four-  
24 year institution of higher education or its foundation for the purposes  
25 of this chapter. For the community and technical colleges, the state  
26 board for community and technical colleges shall certify that a  
27 community or technical college has obtained private matching funds for  
28 the purposes of this chapter. Upon notice of certification, the  
29 treasurer shall release the state matching funds to the designated  
30 institution's local endowment fund or its foundation, or to the state  
31 board for community and technical colleges.

32 NEW SECTION. **Sec. 5.** (1) All institutions of higher education are  
33 eligible for matching funds from the trust fund. Any appropriation to  
34 the trust fund by the legislature shall be allocated in the following  
35 manner:

36 (a) Thirty-two percent for the state board for community and  
37 technical colleges;

1 (b) Thirty-two percent for the University of Washington;  
2 (c) Twenty-two percent for Washington State University; and  
3 (d) Fourteen percent for the comprehensive institutions and The  
4 Evergreen State College.

5 (2) The state board for community and technical colleges shall  
6 determine the allocation of funds for the two-year colleges.

7 (3) By written agreement, the comprehensive four-year universities  
8 and The Evergreen State College shall decide how the allocation of the  
9 percentage designated for the comprehensive institutions and The  
10 Evergreen State College shall be distributed among each of the  
11 institutions for any appropriation made by the legislature.

12 (4) No moneys may be released from the trust fund to an individual  
13 comprehensive institution or The Evergreen State College until a  
14 written agreement of the allocation distribution is filed with the  
15 state treasurer.

16 (5) Within the following higher education sectors, any unmatched  
17 funds shall be available to the other institution or institutions  
18 within that sector for match on a first-come basis if the following  
19 percentages are not met within the specified time periods:

20 (a) For the University of Washington and Washington State  
21 University, at least sixty percent of their allocation after three  
22 years from the effective date of the legislative appropriation, eighty  
23 percent after four years, and one hundred percent after five years.

24 (b) For the comprehensive institutions and The Evergreen State  
25 College, at least sixty percent of their allocation after four years  
26 from the effective date of the appropriation, eighty percent after five  
27 years, and one hundred percent after six years.

28 (c) For the state board for community and technical colleges at  
29 least sixty percent of their allocation after four years from the  
30 effective date of the appropriation, eighty percent after five years,  
31 and one hundred percent after six years.

32 (6) After seven years, any remaining unmatched funds residing in  
33 any of the three sectors' pools shall revert to a common pool and shall  
34 be eligible for match on a first-come basis by any of the institutions.

35 NEW SECTION. **Sec. 6.** Each institution of higher education or its  
36 foundation is responsible for soliciting private donations, investing  
37 and maintaining all endowment funds, administering the uses of the  
38 funds, and reporting to the governor and the legislature. Each

1 institution or its foundation may augment the endowment fund with  
2 additional private donations. The principal of the invested endowment  
3 fund shall not be invaded; only earnings or a portion thereof may be  
4 spent.

5 Each institution of higher education shall develop or designate an  
6 advisory committee, of which a majority of its members shall be private  
7 donors and business representatives. Each advisory committee shall  
8 include at least one student representative. The advisory committee  
9 shall review and approve the institution's endowment for higher  
10 education program and develop specific, measurable goals for the  
11 institution's endowment program. Each institution shall report  
12 annually to the governor and the legislature on progress made toward  
13 its goals.

14 NEW SECTION. **Sec. 7.** This chapter may be known and cited as the  
15 Washington state endowment for higher education act.

16 **Sec. 8.** RCW 43.84.092 and 1997 c 218 s 5 are each amended to read  
17 as follows:

18 (1) All earnings of investments of surplus balances in the state  
19 treasury shall be deposited to the treasury income account, which  
20 account is hereby established in the state treasury.

21 (2) The treasury income account shall be utilized to pay or receive  
22 funds associated with federal programs as required by the federal cash  
23 management improvement act of 1990. The treasury income account is  
24 subject in all respects to chapter 43.88 RCW, but no appropriation is  
25 required for refunds or allocations of interest earnings required by  
26 the cash management improvement act. Refunds of interest to the  
27 federal treasury required under the cash management improvement act  
28 fall under RCW 43.88.180 and shall not require appropriation. The  
29 office of financial management shall determine the amounts due to or  
30 from the federal government pursuant to the cash management improvement  
31 act. The office of financial management may direct transfers of funds  
32 between accounts as deemed necessary to implement the provisions of the  
33 cash management improvement act, and this subsection. Refunds or  
34 allocations shall occur prior to the distributions of earnings set  
35 forth in subsection (4) of this section.

36 (3) Except for the provisions of RCW 43.84.160, the treasury income  
37 account may be utilized for the payment of purchased banking services

1 on behalf of treasury funds including, but not limited to, depository,  
2 safekeeping, and disbursement functions for the state treasury and  
3 affected state agencies. The treasury income account is subject in all  
4 respects to chapter 43.88 RCW, but no appropriation is required for  
5 payments to financial institutions. Payments shall occur prior to  
6 distribution of earnings set forth in subsection (4) of this section.

7 (4) Monthly, the state treasurer shall distribute the earnings  
8 credited to the treasury income account. The state treasurer shall  
9 credit the general fund with all the earnings credited to the treasury  
10 income account except:

11 (a) The following accounts and funds shall receive their  
12 proportionate share of earnings based upon each account's and fund's  
13 average daily balance for the period: The capitol building  
14 construction account, the Cedar River channel construction and  
15 operation account, the Central Washington University capital projects  
16 account, the charitable, educational, penal and reformatory  
17 institutions account, the common school construction fund, the county  
18 criminal justice assistance account, the county sales and use tax  
19 equalization account, the data processing building construction  
20 account, the deferred compensation administrative account, the deferred  
21 compensation principal account, the department of retirement systems  
22 expense account, the drinking water assistance account, the Eastern  
23 Washington University capital projects account, the education  
24 construction fund, the ((~~emergency reserve fund~~)) Washington state  
25 endowment for higher education trust fund, the federal forest revolving  
26 account, the health services account, the public health services  
27 account, the health system capacity account, the personal health  
28 services account, the highway infrastructure account, the industrial  
29 insurance premium refund account, the judges' retirement account, the  
30 judicial retirement administrative account, the judicial retirement  
31 principal account, the local leasehold excise tax account, the local  
32 real estate excise tax account, the local sales and use tax account,  
33 the medical aid account, the mobile home park relocation fund, the  
34 municipal criminal justice assistance account, the municipal sales and  
35 use tax equalization account, the natural resources deposit account,  
36 the perpetual surveillance and maintenance account, the public  
37 employees' retirement system plan I account, the public employees'  
38 retirement system plan II account, the Puyallup tribal settlement  
39 account, the resource management cost account, the site closure

1 account, the special wildlife account, the state employees' insurance  
2 account, the state employees' insurance reserve account, the state  
3 investment board expense account, the state investment board commingled  
4 trust fund accounts, the supplemental pension account, the teachers'  
5 retirement system plan I account, the teachers' retirement system plan  
6 II account, the transportation infrastructure account, the tuition  
7 recovery trust fund, the University of Washington bond retirement fund,  
8 the University of Washington building account, the volunteer fire  
9 fighters' relief and pension principal account, the volunteer fire  
10 fighters' relief and pension administrative account, the Washington  
11 judicial retirement system account, the Washington law enforcement  
12 officers' and fire fighters' system plan I retirement account, the  
13 Washington law enforcement officers' and fire fighters' system plan II  
14 retirement account, the Washington state patrol retirement account, the  
15 Washington State University building account, the Washington State  
16 University bond retirement fund, the water pollution control revolving  
17 fund, and the Western Washington University capital projects account.  
18 Earnings derived from investing balances of the agricultural permanent  
19 fund, the normal school permanent fund, the permanent common school  
20 fund, the scientific permanent fund, and the state university permanent  
21 fund shall be allocated to their respective beneficiary accounts. All  
22 earnings to be distributed under this subsection (4)(a) shall first be  
23 reduced by the allocation to the state treasurer's service fund  
24 pursuant to RCW 43.08.190.

25 (b) The following accounts and funds shall receive eighty percent  
26 of their proportionate share of earnings based upon each account's or  
27 fund's average daily balance for the period: The aeronautics account,  
28 the aircraft search and rescue account, the central Puget Sound public  
29 transportation account, the city hardship assistance account, the  
30 county arterial preservation account, the department of licensing  
31 services account, the economic development account, the essential rail  
32 assistance account, the essential rail banking account, the ferry bond  
33 retirement fund, the gasohol exemption holding account, the grade  
34 crossing protective fund, the high capacity transportation account, the  
35 highway bond retirement fund, the highway construction stabilization  
36 account, the highway safety account, the marine operating fund, the  
37 motor vehicle fund, the motorcycle safety education account, the  
38 pilotage account, the public transportation systems account, the Puget  
39 Sound capital construction account, the Puget Sound ferry operations

1 account, the recreational vehicle account, the rural arterial trust  
2 account, the safety and education account, the small city account, the  
3 special category C account, the state patrol highway account, the  
4 transfer relief account, the transportation capital facilities account,  
5 the transportation equipment fund, the transportation fund, the  
6 transportation improvement account, the transportation revolving loan  
7 account, and the urban arterial trust account.

8 (c) Interest earned on the emergency reserve fund shall be credited  
9 to the Washington state endowment for higher education trust fund.

10 (5) In conformance with Article II, section 37 of the state  
11 Constitution, no treasury accounts or funds shall be allocated earnings  
12 without the specific affirmative directive of this section.

13 NEW SECTION. **Sec. 9.** Sections 1 through 7 of this act constitute  
14 a new chapter in Title 28B RCW.

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