

# HOUSE BILL REPORT

## SSB 5039

---

### As Reported by House Committee On:

Insurance, Financial Services & Consumer Protection

**Title:** An act relating to the investment of scholarship endowment funds.

**Brief Description:** Providing for the state investment board to manage scholarship endowment funds.

**Sponsors:** Senate Committee on Financial Institutions & Insurance (originally sponsored by Senators Eide, Murray, Marr, Shin, Rockefeller, Weinstein, Rasmussen, Kauffman, Keiser, Jacobsen, Haugen and Kohl-Welles).

### Brief History:

#### Committee Activity:

Insurance, Financial Services & Consumer Protection: 3/20/07, 3/27/07 [DP].

#### Brief Summary of Substitute Bill

- Moves the management of the investments of the American Indian Scholarship Endowment Fund and the Foster Care Scholarship Endowment Fund from the State Treasurer to the State Investment Board.

---

## HOUSE COMMITTEE ON INSURANCE, FINANCIAL SERVICES & CONSUMER PROTECTION

**Majority Report:** Do pass. Signed by 8 members: Representatives Kirby, Chair; Kelley, Vice Chair; Roach, Ranking Minority Member; Strow, Assistant Ranking Minority Member; Hurst, Rodne, Santos and Simpson.

**Staff:** Jon Hedegard (786-7127).

### Background:

#### Higher Education Coordinating Board (HECB)

The HECB is a state agency governed by a 10-member citizen board. The HECB is charged by state law with representing the "broad public interest" in higher education and is dedicated to helping students succeed.

---

*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

### State Treasurer (Treasurer)

The Treasurer manages many funds in this state. The Treasurer may invest only in certain, lower-risk vehicles. Examples include a variety of government bonds and commercial paper. The Treasurer is prohibited from investing public funds in a host of vehicles including corporate stocks or bonds, commodities, and real estate.

### Washington State Investment Board (WSIB)

The WSIB manages investments for 16 separate retirement funds for public employees, teachers, school employees, law enforcement officers, firefighters and judges. It also manages investments for 21 other public funds that support or benefit industrial insurance, colleges and universities, developmental disabilities, and wildlife protection. The WSIB may invest in a wide array of government and corporate bonds, stocks, real estate, and foreign equity.

Under current law, the Treasurer manages the American Indian Scholarship Endowment Fund and the Foster Care Scholarship Endowment Fund. Moneys received by private donation, state matching moneys, and funds from other sources may be placed in the endowment funds. The HECB may award scholarships or grants to qualified applicants.

The American Indian Scholarship Endowment Fund was created in 1993 and has approximately \$565,000. The Foster Care Scholarship Endowment Fund was created in 2005 and is in the process of soliciting funds.

---

### **Summary of Bill:**

The management of the investments of the American Indian Scholarship Endowment Fund and the Foster Care Scholarship Endowment Fund is moved from the Treasurer to the WSIB. The scholarship endowment funds shall remain in the custody of the Treasurer. At the request of the HECB, the WSIB must release earnings to the Treasurer, who will release those moneys to the HECB.

The WSIB must invest the scholarship endowment funds using reasonable care and prudence. The WSIB must follow its established investment policies when investing these funds. The WSIB may commingle the scholarship endowment funds with other funds under its management. The WSIB must routinely consult with the HECB on investment policy, earnings of the scholarship endowment funds, and other matters related to the scholarship endowment funds.

The HECB has the authority to establish all policies regarding the scholarship endowment funds, except for the investment policies.

---

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony:**

(In support) We appreciate your consideration of this change. Strong investment earnings will maximize the amount of money that can be used for scholarships. Recent issues in the market have caused some trouble for the endowment funds. The WSIB is in a better position to take long-term management positions and to maximize results. There should be better and more reliable returns. There are about 10-15 scholarships given each year. The amount of a scholarship can range from \$1,000 - \$1,500. Last year, earnings were about 3 percent. We hope that earnings will be around 5 percent after this change. This program allows people to give back to the community. This change will help better serve students. It will also honor the donors by maximizing the returns on a donation.

(Opposed) None.

**Persons Testifying:** Betty Gebhardt, Higher Education Coordinating Board; and James Lee.

**Persons Signed In To Testify But Not Testifying:** None.