

# HOUSE BILL REPORT

## HJR 4215

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**As Reported by House Committee On:**  
Capital Budget

**Brief Description:** Eliminating prohibitions on the investment of certain state moneys.

**Sponsors:** Representatives Kenney, Sells, Buri, Hunt and Wood; by request of Washington State University.

**Brief History:**

**Committee Activity:**

Capital Budget: 2/8/07, 2/22/07 [DPS].

### Brief Summary of Substitute Bill

- Requires the Secretary of State to submit to voters a proposed amendment to the State Constitution that would allow the permanent funds of the public baccalaureate institutions to be invested as authorized by law. This includes the authority to invest the permanent funds in stocks or bonds issued by any association, company, or corporation if authorized by law.

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### HOUSE COMMITTEE ON CAPITAL BUDGET

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 19 members: Representatives Fromhold, Chair; Ormsby, Vice Chair; Schual-Berke, Vice Chair; McDonald, Ranking Minority Member; Newhouse, Assistant Ranking Minority Member; Blake, Chase, Dunshee, Eickmeyer, Goodman, Hankins, Kelley, McCune, Orcutt, Pearson, Pedersen, Sells, Skinner and Strow.

**Minority Report:** Do not pass. Signed by 1 member: Representative Hasegawa.

**Staff:** Susan Howson (786-7142).

#### **Background:**

In 1889, the federal government granted certain lands to Washington to be held in trust for what are now the state's public baccalaureate institutions. Proceeds from the sale of timber, minerals, and permanent rights-of-way on these lands, are deposited into "permanent" funds

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which are managed and invested by the Washington State Investment Board (SIB). The income from these permanent funds is appropriated by the Legislature for the construction and minor works maintenance of university facilities.

There are four permanent funds. Income derived from the "agricultural permanent fund" and the "scientific permanent fund" supports construction and facility improvements at Washington State University. The "state university permanent fund" benefits the University of Washington, and the "normal school permanent fund" benefits Central Washington University, Eastern Washington University, Western Washington University, and The Evergreen State College. The State Constitution prohibits university permanent funds from being invested "in the stock of any company, association or corporation" (Article XII, Section 9). The SIB currently invests these funds in fixed income vehicles.

The State Constitution was amended by voters in 1966 to allow the K-12 common school permanent fund to be invested as authorized by law. It was further amended in 1985 and 2000 to allow moneys of the public pension or retirement funds, industrial insurance trust fund, or funds held in trust for the benefit of persons with disabilities, to be invested as authorized by law.

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**Summary of Substitute Bill:**

At the next general election, the Secretary of State will submit to voters a proposed amendment to the State Constitution that would allow the permanent funds of the public baccalaureate institutions to be invested as authorized by law. This includes the authority to invest the permanent funds in stocks or bonds issued by any association, company, or corporation if authorized by law. The Secretary of State will publish a notice of this constitutional amendment at least four times during the four weeks preceding the election in every legal newspaper in the state.

**Substitute Bill Compared to Original Bill:**

The substitute bill removes specific references to each individual higher education permanent fund.

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**Appropriation:** None.

**Fiscal Note:** Not requested.

**Staff Summary of Public Testimony:**

(In support) The State Investment Board currently invests the higher education permanent funds in fixed income vehicles. The constitution has been amended to allow other state education and pension trust funds to be invested in equities. There is no reason not to extend the same authority to the permanent funds of the state's colleges and universities. Changing this provision and expanding investment options for the permanent funds should result in

greater returns in the long term, resulting in more funds that can be used for the construction and preservation of university buildings. All of the public baccalaureate institutions will benefit from these changes. The State Investment Board is happy to take on this assignment.

(In support with amendment) The constitutional amendment should be as brief as possible. It is sufficient to refer to "the permanent funds established for any of the institutions of higher education in this state," without naming each fund. The State Treasurer recommended removing specific references to the higher education permanent funds by name in the constitutional amendment.

(Opposed) None.

**Persons Testifying:** (In support) Representative Kenney, prime sponsor; Joe Dear, Washington State Investment Board; Larry Ganders and Douglas Lawrence, Washington State University; and Randy Hodgins, University of Washington.

(In support with amendment) Mike Murphy, State Treasurer.

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