

# HOUSE BILL REPORT

## SSB 6468

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**As Reported by House Committee On:**  
Higher Education

**Title:** An act relating to policies governing investments by state research universities.

**Brief Description:** Requiring state research universities to adopt policies governing investment of university funds.

**Sponsors:** Senate Committee on Ways & Means (originally sponsored by Senators Kilmer, Schoesler, Tom, Murray, Harper, Conway and Shin).

**Brief History:**

**Committee Activity:**

Higher Education: 2/16/12, 2/20/12 [DPA].

**Brief Summary of Substitute Bill  
(As Amended by Committee)**

- Requires the boards of regents of the University of Washington and Washington State University to adopt policies governing investments of university funds, and to provide for preparation of annual investment performance reports.

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### HOUSE COMMITTEE ON HIGHER EDUCATION

**Majority Report:** Do pass as amended. Signed by 15 members: Representatives Seaquist, Chair; Carlyle, Vice Chair; Haler, Ranking Minority Member; Parker, Assistant Ranking Minority Member; Asay, Buys, Crouse, Fagan, Pollet, Reykdal, Sells, Springer, Warnick, Wylie and Zeiger.

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

**Staff:** Jill Reinmuth (786-7134).

**Background:**

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*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.*

Governing boards of institutions of higher education generally have full control of the institution and its property, except as otherwise provided. Institutions and other state agencies that manage and invest public funds are required to establish certain policies and procedures. For example, the University of Washington (UW) must have policies addressing conflicts of interest for private funds in which the institution's endowment is invested. These policies must be in compliance with the Ethics in Public Service Act, and posted on the UW's website. Also, the State Investment Board must establish investment policies and procedures designed exclusively to maximize return at a prudent level of risk.

The Ethics in Public Service Act prohibits certain state officers and employees from having an interest in any property, security, equity, or debt instruments, with exceptions for specific permissible investments. These officers and employees are the ones who are responsible for the investment of funds and who act in a decision-making, advisory, or policy-influencing capacity with respect to investments. Agencies responsible for the investment of funds must adopt policies governing approval of investments and criteria to be considered in the approval process.

The Uniform Prudent Management of Institutional Funds Act provides guidelines for the management, investment, and expenditure of funds held by certain institutions, including governmental organizations that hold funds exclusively for educational purposes. Institutions are subject to a prudent investor standard of conduct. In managing and investing institutional funds, institutions must act with good faith and the care of an ordinarily prudent person. Institutions also must consider the purposes of the institution and the funds, as well as other factors.

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#### **Summary of Amended Bill:**

The boards of regents of the University of Washington and Washington State University are required to adopt policies governing investments of university funds. The policies must be publicly available.

The policies must address investment objectives, asset allocation, investment parameters and guidelines, and the delegation of authority over investments. The policies also must address certain personal and institutional conflicts of interest, and be consistent with the state Uniform Prudent Management of Institutional Funds Act.

The boards of regents are also required to provide for preparation of publicly available investment performance reports that describe asset allocations and investment performance. The reports must be prepared at least annually and be publicly available.

#### **Amended Bill Compared to Substitute Bill:**

References to the "regents of each state research university" are changed to references to the "boards of regents of the University of Washington and Washington State University."

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Staff Summary of Public Testimony:**

(In support) The constitutional amendment would allow the universities to diversify their investments and strengthen their portfolios. This proposal includes further safeguards. It requires the universities to adopt policies consistent with the Uniform Prudent Management of Institutional Funds Act, and that investments be publicly reviewed through annual performance reports. The universities also have to develop policies in line with all applicable state and federal laws with regard to conflicts of interest.

(Opposed) None.

**Persons Testifying:** Senator Kilmer, prime sponsor; Margaret Shepherd, University of Washington; Chris Mulick, Washington State University; Bill McSherry, Boeing; and Andrew Lewis, Associated Students of the University of Washington.

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