SUMMARY OF CONSTITUTIONAL AMENDMENT HJR 4215
Concerning investment of higher education permanent funds.

This summary has been prepared in response to specific questions about the provisions and effects of Constitutional Amendment HJR 4215 and is provided for legislative purposes only; it is not provided as an expression for or against the ballot measure. Please remember that it is inappropriate to use public resources to support or oppose a ballot measure. Please refer to the 2007 Legislative Ethics Manual or contact Senate Counsel for further guidance on when and how comment on ballot measures is appropriate.

BRIEF SUMMARY
House Joint Resolution 4215 amends the State Constitution to allow the permanent funds of the public baccalaureate institutions to be invested as authorized by law. The amendment includes the authority to invest the permanent funds in stocks or bonds issued by any association, company, or corporation if authorized by law.

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 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. 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.
SUMMARY OF HJR 4215
The permanent funds of the public baccalaureate institutions are to be invested as authorized by law. This investment authority includes investing the permanent funds in stocks or bonds issued by any association, company, or corporation if authorized by law.

FISCAL IMPACT
Investment in stock market equities can generally be expected to generate greater financial returns over time than less risky investments. For example, over the past three years, the permanent funds’ current investment portfolios have earned an average annual return of just over 3 percent. This return contrasts with average annual returns during the same period of 6.16 percent for the Labor and Industries Medical Aid Fund; 7.5 percent for the Developmental Disabilities Endowment Fund; and 9.7 percent for the Guaranteed Education Tuition Account, all of which include stock market equities in their investment portfolio. The university permanent funds had a combined balance of $578 million at the end of March 2007. Each additional 1 percent of investment return could generate an additional $5.78 million for the permanent funds.

For further information please contact:
Tim Yowell, (360) 786-7435
Senate Ways and Means Committee

This summary should not be considered legislative history for purposes of interpreting Constitutional Amendment HJR 4215.