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## Higher Education Committee

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### SJR 8223

**Brief Description:** Amending the Constitution to provide clear authority to state research universities to invest funds as authorized by law, including investment in stocks or bonds issued by any company.

**Sponsors:** Senators Kilmer, Schoesler, Tom, Murray, Harper, Conway, Shin and McAuliffe.

<p style="text-align: center;"><b>Brief Summary of Bill</b></p> <ul style="list-style-type: none"><li>• Requires the Secretary of State to submit to voters a proposed amendment to the State Constitution that allows the moneys of any state research university to be invested as authorized by law.</li></ul>
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**Hearing Date:** 2/16/12

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

**Background:**

The State Constitution generally limits the investment of state funds. Article VIII, section 5, prohibits the state's credit from being given or loaned to an individual, association, company, or corporation. Article XII, section 9, prohibits the state from loaning its credit or from subscribing to or being interested in the stock of a company, association or corporation. Unless exempt from these provisions, permissible investments are limited to government securities.

The State Constitution has been amended to allow certain funds to be invested "notwithstanding" these constitutional limits and "as authorized by law." These funds include:

- public pension or retirement funds;
- the industrial insurance trust fund;
- funds held in trust for the benefit of persons with disabilities; and
- permanent funds established for institutions of higher education.

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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.*

Permissible investments are more diverse, and include a mixture of corporate bonds and stocks.

The State Investment Board manages and invests public pension and retirement funds, industrial insurance funds, permanent funds, and other trust funds, including the Developmental Disabilities Endowment Trust.

Governing boards of institutions of higher education have full control of the institutions' property, and manage and invest their operating funds. Institutions also accept endowments and other private gifts and grants for their use or benefit, and manage and invest their endowment funds.

**Summary of Bill:**

At the next general election, the Secretary of State must submit to voters a proposed amendment to the State Constitution.

The amendment allows the moneys of any state research university to be invested as authorized by law. The investments are not limited by constitutional provisions prohibiting giving or loaning the state's credit to an individual, association, company, or corporation. The investments also are not limited by the constitutional provision prohibiting the state from subscribing to or being interested in the stock of a company, association, or corporation.

**Appropriation:** None.

**Fiscal Note:** Requested on February 15, 2012.