

# SENATE BILL REPORT

## HJR 4202

---

---

As Reported By Senate Committee On:  
Government Operations & Elections, February 22, 2006

**Brief Description:** Authorizing investment of hospital district funds.

**Sponsors:** Representatives Simpson, P. Sullivan, Nixon, Buck, Springer, Hankins, Haler, Quall, B. Sullivan, Kessler, Morris, Roberts and Chase.

**Brief History:** Passed House: 2/13/06, 95-1.

**Committee Activity:** Government Operations & Elections: 3/24/05, 2/21/06, 2/22/06 [DP].

---

### SENATE COMMITTEE ON GOVERNMENT OPERATIONS & ELECTIONS

**Majority Report:** Do pass.

Signed by Senators Kastama, Chair; Berkey, Vice Chair; Roach, Ranking Minority Member; Benton, Fairley, Kline, Mulliken and Pridemore.

**Staff:** Mac Nicholson (786-7445)

**Background:** Public hospital districts are a type of special purpose districts whose powers are limited to those specifically authorized by law. A public hospital district is authorized to acquire property, borrow money for corporate purposes, issue and sell bonds, and raise revenue through the use of a levy.

The state constitution prohibits the state and municipal corporations, including public hospital districts, from having an ownership interest in any company or corporation. In other words, the constitution prevents municipal corporations from investing funds in stock or other equities. However, the constitution has been amended to allow investment of certain public funds, including public pension and retirement funds, industrial insurance trust funds, funds held in trust for the benefit of person with developmental disabilities, and the permanent common school fund.

**Summary of Bill:** At the next general election, an amendment to the Constitution will be submitted to the voters proposing that public hospital districts be allowed to invest any public hospital district fund or account as authorized by law.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Committee/Commission/Task Force Created:** No.

**Testimony For:** This bill gives greater flexibility to six public hospital districts to invest their funds as their non-profit counterparts. There are built-in protections, and the bill is narrowly drafted. Funds will be invested in accordance with the policies of the State Investment Board, under a proposed amendment, and the districts must leave sufficient funds available to run the

hospital for 60 days. Hospital districts are currently limited to government investments, which carry a low return. The State Auditor, the board of district commissioners, and the hospital investment committees all have oversight and provide safeguards.

**Testimony Against:** There is a right way to invest and a wrong way to invest. This bill represents the wrong way to invest. Risk and return are directly correlated, and public funds should be steered away from risky investments. The State Investment Board makes long term investments with long term money, but the bill seeks to allow short term investment of operating funds, which is bad public policy. Safety and liquidity should take precedence over chasing yield. It is bad public policy to amend the constitution to allow investment such as this for six public hospital districts.

**Who Testified:** PRO: Lisa Thatcher and Dick Goldsmith, Association of Washington Public Hospital Districts.

CON: Mike Murphy, State Treasurer; Rose Bowman and Judi Morris, Washington State Association of County Treasurers.