

SENATE BILL REPORT

ESJR 8212

As Passed Senate, February 19, 2020

Brief Description: Proposing an amendment to the Constitution concerning the investment of funds to provide for long-term care services and supports.

Sponsors: Senators Braun, Conway, Mullet, Schoesler and Palumbo.

Brief History:

Committee Activity: Ways & Means: 4/18/19 [DP, w/oRec, DNP].

Floor Activity:

Passed Senate: 2/19/20, 45-3.

Brief Summary of Engrossed Joint Resolution

- Proposes a constitutional amendment to allow the fund for long-term care services and supports to be invested as provided by law.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Rolfes, Chair; Frockt, Vice Chair, Operating, Capital Lead; Mullet, Capital Budget Cabinet; Braun, Ranking Member; Brown, Assistant Ranking Member, Operating; Honeyford, Assistant Ranking Member, Capital; Bailey, Becker, Billig, Carlyle, Darneille, Hunt, Palumbo, Pedersen, Rivers, Schoesler, Van De Wege, Wagoner, Warnick and Wilson, L..

Minority Report: That it be referred without recommendation.

Signed by Senators Conway and Hasegawa.

Minority Report: Do not pass.

Signed by Senators Keiser and Lias.

Staff: Julie Murray (786-7711)

Background: The State Constitution prohibits the state from being interested in the stock of any company, association, or corporation. This provision has been interpreted to mean that the state cannot place any investment funds in stock and other equities. As a result, state

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investments are limited to fixed-income securities such as government and corporate bonds and certificates of deposit.

In the past, some state funds have been specifically exempted from constitutional investment restrictions through constitutional amendments. Currently, these include public pension or retirements funds, industrial insurance trust funds, and funds held in trust for the benefit of persons with developmental disabilities.

The Family and Medical Leave Insurance Account was established in 2017 in SSB 5975 to provide paid family and medical leave insurance funded through a premium on employee wages. The Legislature is currently considering HB 1087 and SB 5331 to establish a program to provide long-term services and supports funded through a premium on employee wages for deposit into a Long-Term Care Services and Supports Trust Account. The funds in these accounts would be subject to the constitutional investment restrictions.

Summary of Engrossed Joint Resolution: At the next general election, an amendment to the State Constitution will be presented to the voters to add the fund for long-term care services and supports to the list of public funds exempt from current constitutional investment restrictions.

Appropriation: None.

Fiscal Note: Not requested.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Staff Summary of Public Testimony: PRO: Strong support for inclusion of long-term care services and supports. There has been some discussion with State Investment Board and Office of State Treasurer and they say the Long-Term Care Services and Supports Trust would benefit from a different investment strategy than what was first contemplated in the legislation. Actions that growth the value of that account is responsible stewardship of the fund. It could increase solvency and decrease premiums. Good investments will moderate premium fluctuations. We support doing whatever you can to make good use of funds for the benefit of employer and employees. Any implementing legislation can address the concerns expressed with the Family Medical Leave Insurance Account.

OTHER: Appreciate the inclusion of the Family and Medical Leave Insurance Account, but that account's balance determines premium rates. The premium rate setting of that account does not contemplate a long-term investment strategy. We should defer inclusion of the Family and Medical Leave Insurance Account until we have a full discussion of the issues.

Persons Testifying: PRO: Bob Battles, AWB; Patrick Connor, NFIB; Demas Nesterenko, SEIU775; Carolyn Logue, Washington Food Industry Association; Kate White Tudor, Washington Association of Area Agencies on Aging.

OTHER: Nick Streuli, Legislative Director, Employment Security Department; Joe Kendo, Washington State Labor Council, AFL-CIO.

Persons Signed In To Testify But Not Testifying: No one.