

# SENATE BILL REPORT

## SB 5039

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As Reported By Senate Committee On:  
Financial Institutions & Insurance, January 31, 2007

**Title:** An act relating to the investment of scholarship endowment funds.

**Brief Description:** Providing for the state investment board to administer scholarship endowment funds.

**Sponsors:** Senators Eide, Murray, Marr, Shin, Rockefeller, Weinstein, Rasmussen, Kauffman, Keiser and Jacobsen.

**Brief History:**

**Committee Activity:** Financial Institutions & Insurance: 1/16/07, 1/31/07 [DPS].

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### SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

**Majority Report:** That Substitute Senate Bill No. 5039 be substituted therefor, and the substitute bill do pass.

Signed by Senators Berkey, Chair; Hobbs, Vice Chair; Benton, Ranking Minority Member; Franklin, Hatfield, Parlette and Schoesler.

**Staff:** Vanessa Firnhaber-Baker (786-7471)

**Background:** The Higher Education Coordinating Board (HECB) administers two scholarship funds for higher education: the American Indian scholarship fund and the foster care scholarship fund. The monies used to fund these scholarships are held by the State Treasurer and released upon request to HECB. Currently, these are the only scholarship funds administered by HECB; however, additional funds may be added in the future.

The American Indian scholarship fund contains approximately \$600,000 and the foster care scholarship fund is still soliciting donations.

The State Investment Board manages the investment of public trust funds and public employees' retirement funds. In 2005, the State Investment Board managed \$62.9 billion in total assets.

**Summary of Bill:** Management of the investments of funds for all scholarship endowment programs administered by HECB is vested in the State Investment Board. The State Investment Board must invest the funds using reasonable care and prudence. The State Investment Board may commingle the scholarship funds with other funds it manages. HECB

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retains all authority regarding policies related to the funds, except for investment management.

**EFFECT OF RECOMMENDED SUBSTITUTE (Financial Institutions & Insurance):**

The roles of the State Investment Board, the state treasurer, and the HECB are clarified to ensure that the state treasurer has custody of the funds, the State Investment Board is charged with managing the investment, and HECB is the scholarship administrator.

**Appropriation:** None.

**Fiscal Note:** Not requested.

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

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony:** PRO: The State Investment Board will be able to provide the sort of long-term investment horizon needed for these scholarship funds to serve more students. Current yields with the funds held with the treasury are both unpredictable and too low.

**Persons Testifying:** PRO: Betty Gebhardt, Higher Education Coordinating Board; Dr. James Lee, American Indian Scholarship donor.