

CERTIFICATION OF ENROLLMENT

SUBSTITUTE HOUSE BILL 1784

Chapter 215, Laws of 2007

60th Legislature
2007 Regular Session

HIGHER EDUCATION FUNDS--INVESTMENT

EFFECTIVE DATE: Contingent

Passed by the House March 7, 2007
Yeas 92 Nays 2

FRANK CHOPP

Speaker of the House of Representatives

Passed by the Senate April 11, 2007
Yeas 47 Nays 0

BRAD OWEN

President of the Senate

Approved April 27, 2007, 2:26 p.m.

CHRISTINE GREGOIRE

Governor of the State of Washington

CERTIFICATE

I, Richard Nafziger, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **SUBSTITUTE HOUSE BILL 1784** as passed by the House of Representatives and the Senate on the dates hereon set forth.

RICHARD NAFZIGER

Chief Clerk

FILED

April 30, 2007

**Secretary of State
State of Washington**

SUBSTITUTE HOUSE BILL 1784

Passed Legislature - 2007 Regular Session

State of Washington 60th Legislature 2007 Regular Session

By House Committee on Capital Budget (originally sponsored by Representatives Kenney, Sells, Buri and Wood; by request of Washington State University)

READ FIRST TIME 02/26/07.

1 AN ACT Relating to investment of funds derived from the sale of
2 lands set apart for institutions of higher education; amending RCW
3 39.42.070, 39.42.090, 43.33A.150, 43.79.010, 43.79.060, 43.79.110,
4 43.79.130, and 43.79.160; creating a new section; and providing a
5 contingent effective date.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

7 NEW SECTION. **Sec. 1.** The legislature finds that after passage of
8 a constitutional amendment (House Joint Resolution No. 4215 or Senate
9 Joint Resolution No. 8220), the state investment board will be
10 permitted in accordance with RCW 43.33A.140 to invest a portion of the
11 higher education permanent funds in equities. The legislature further
12 recognizes that by investing in equities, the value of the higher
13 education permanent funds may fluctuate over time due to market changes
14 even if no disposition of the fund principal is made. The removal of
15 the word "irreducible" in this act, describing the higher education
16 permanent funds, is needed to clarify that the mere reduction in market
17 value of a permanent fund due to such fluctuations would not violate
18 the mandate of the statute. It is the intent of the legislature to
19 clarify state law to permit equity investment of higher education

1 permanent funds even if there is a decline in the value of a permanent
2 fund due to market changes. It is not the intent of the legislature to
3 change the requirement that unless otherwise allowed by law the
4 principal amounts in the higher education permanent funds are to be
5 held in perpetuity for the benefit of the designated institutions and
6 future generations, and that only the earnings from a higher education
7 permanent fund may be appropriated to support the benefited
8 institution.

9 **Sec. 2.** RCW 39.42.070 and 2003 1st sp.s. c 9 s 1 are each amended
10 to read as follows:

11 (1) On or after the effective date of this act, the treasurer shall
12 compute general state revenues for the three fiscal years immediately
13 preceding such date and shall determine the arithmetic mean thereof.
14 As soon as is practicable after the close of each fiscal year
15 thereafter, he or she shall do likewise. In determining the amount of
16 general state revenues, the treasurer shall include all state money
17 received in the treasury from each and every source whatsoever except:
18 (a) Fees and revenues derived from the ownership or operation of any
19 undertaking, facility or project; (b) moneys received as gifts, grants,
20 donations, aid or assistance or otherwise from the United States or any
21 department, bureau or corporation thereof, or any person, firm or
22 corporation, public or private, when the terms and conditions of such
23 gift, grant, donation, aid or assistance require the application and
24 disbursement of such moneys otherwise than for the general purposes of
25 the state of Washington; (c) moneys to be paid into and received from
26 retirement system funds, and performance bonds and deposits; (d) moneys
27 to be paid into and received from trust funds including but not limited
28 to moneys received from taxes levied for specific purposes and the
29 several permanent (~~and irreducible~~) funds of the state and the moneys
30 derived therefrom but excluding bond redemption funds; (e) proceeds
31 received from the sale of bonds or other evidences of indebtedness.
32 Upon computing general state revenues, the treasurer shall make and
33 file in the office of the secretary of state, a certificate containing
34 the results of such computations. Copies of said certificate shall be
35 sent to each elected official of the state and each member of the
36 legislature. The treasurer shall, at the same time, advise each

1 elected official and each member of the legislature of the current
2 available debt capacity of the state, and may make estimated
3 projections for one or more years concerning debt capacity.

4 (2) For purposes of this chapter, general state revenues shall also
5 include revenues that are deposited in the general fund under RCW
6 82.45.180(2), lottery revenues as provided in RCW 67.70.240(3),
7 revenues paid into the general fund under RCW 84.52.067, and revenues
8 deposited into the student achievement fund and distributed to school
9 districts as provided in RCW 84.52.068.

10 **Sec. 3.** RCW 39.42.090 and 1985 c 57 s 21 are each amended to read
11 as follows:

12 The state finance committee may issue certificates of indebtedness
13 in such sum or sums that may be necessary to meet temporary
14 deficiencies of the treasury. Such certificates may be issued only to
15 provide for the appropriations already made by the legislature and such
16 certificates must be retired and the debt discharged other than by
17 refunding within twelve months after the date of issuance.

18 For the purposes of this section, the state treasury shall include
19 all statutorily established funds and accounts except for any of the
20 permanent (~~irreducible~~) funds of the state treasury.

21 **Sec. 4.** RCW 43.33A.150 and 1989 c 179 s 2 are each amended to read
22 as follows:

23 (1) The state investment board shall prepare written reports at
24 least quarterly summarizing the investment activities of the state
25 investment board, which reports shall be sent to the governor, the
26 senate ways and means committee, the house appropriations committee,
27 the department of retirement systems, and other agencies having a
28 direct financial interest in the investment of funds by the board, and
29 to other persons on written request. The state investment board shall
30 provide information to the department of retirement systems necessary
31 for the preparation of monthly reports.

32 (2) At least annually, the board shall report on the board's
33 investment activities for the department of labor and industries'
34 accident, medical aid, and reserve funds to the senate financial
35 institutions and insurance committee, the senate economic development

1 and labor committee, and the house commerce and labor committee, or
2 appropriate successor committees.

3 (3) At least annually, the board shall report on the board's
4 investment activities for the higher education permanent funds to the
5 house capital budget committee and the senate ways and means committee.

6 **Sec. 5.** RCW 43.79.010 and 1965 c 8 s 43.79.010 are each amended to
7 read as follows:

8 All moneys paid into the state treasury, except moneys received
9 from taxes levied for specific purposes, and the several permanent
10 (~~and irreducible~~) funds of the state and the moneys derived
11 therefrom, shall be paid into the general fund of the state.

12 **Sec. 6.** RCW 43.79.060 and 1965 c 8 s 43.79.060 are each amended to
13 read as follows:

14 There shall be in the state treasury a permanent (~~and~~
15 ~~irreducible~~) fund known as the "state university permanent fund," into
16 which shall be paid all moneys derived from the sale of lands granted,
17 held, or devoted to state university purposes.

18 **Sec. 7.** RCW 43.79.110 and 1991 sp.s. c 13 s 96 are each amended to
19 read as follows:

20 There shall be in the state treasury a permanent (~~and~~
21 ~~irreducible~~) fund known as the "scientific permanent fund," into which
22 shall be paid all moneys derived from the sale of lands set apart by
23 the enabling act or otherwise for a scientific school. The income
24 derived from investments pursuant to RCW 43.84.080 and 43.33A.140 shall
25 be credited to the Washington State University building account less
26 the applicable allocations to the state treasurer's service fund
27 pursuant to RCW 43.08.190 or to the state investment board expense
28 account pursuant to RCW 43.33A.160.

29 **Sec. 8.** RCW 43.79.130 and 1991 sp.s. c 13 s 94 are each amended to
30 read as follows:

31 There shall be in the state treasury a permanent (~~and~~
32 ~~irreducible~~) fund known as the "agricultural permanent fund," into
33 which shall be paid all moneys derived from the sale of lands set apart
34 by the enabling act or otherwise for an agricultural college. The

1 income derived from investments pursuant to RCW 43.84.080 and
2 43.33A.140 shall be credited to the Washington State University
3 building account less the applicable allocations to the state
4 treasurer's service ((~~account~~ ~~[fund]~~)) fund pursuant to RCW 43.08.190
5 or to the state investment board expense account pursuant to RCW
6 43.33A.160.

7 **Sec. 9.** RCW 43.79.160 and 1965 c 8 s 43.79.160 are each amended to
8 read as follows:

9 There shall be in the state treasury a permanent ((~~and~~
10 ~~irreducible~~)) fund known as the "normal school permanent fund," into
11 which shall be paid all moneys derived from the sale of lands set apart
12 by the enabling act or otherwise for state normal schools.

13 NEW SECTION. **Sec. 10.** This act takes effect if the proposed
14 amendment to Article XVI of the state Constitution regarding investment
15 of certain state moneys is validly submitted to and is approved and
16 ratified by the voters at the next general election. If the proposed
17 amendment is not approved and ratified, this act is void in its
18 entirety.

Passed by the House March 7, 2007.

Passed by the Senate April 11, 2007.

Approved by the Governor April 27, 2007.

Filed in Office of Secretary of State April 30, 2007.