

HB 2396 - DIGEST

(DIGEST AS ENACTED)

Finds that permanent fund common school fund income as a percentage of total school construction budgets has declined while school construction budgets have grown, and that other state revenues have filled the gap between income from state lands and the total school construction budget. For this reason, the fund may tolerate higher risk and volatility in favor of growth, and therefore a balance of long-term growth and current income is in the best interest of the state and the fund's beneficiaries. The legislature recognizes that by investing in equities, the value of the permanent fund may fluctuate over time due to market changes even if no disposition of the fund principal is made.

Declares an intent to clarify state law to permit equity investment of the permanent common school fund even if there is a decline in the value of the permanent fund due to market changes. The legislature recognizes that the irreducible portion of the principal amount in the permanent fund must be held in perpetuity for the benefit of the fund and future generations, and that only the earnings from the permanent fund may be appropriated to the common school construction fund.

Authorizes the state investment board to invest the permanent common school fund in various types of allowable investments in order to achieve a balance of long-term growth and current income, when consistent with the best interest of the state and the permanent common school fund, and in conformance with RCW 43.84.150. The state treasurer shall calculate the irreducible principal amount of the fund in accordance with the state Constitution and state law. The irreducible principal shall not include investment gains on the principal, and the fund may retain or distribute income and investment earnings in order to achieve the appropriate balance between growth and income.