

Senate Joint Resolution**8223**

Proposed to the People by the Legislature
Amendment to the State Constitution:

The Legislature has proposed a constitutional amendment on investments by the University of Washington and Washington State University.

This amendment would create an exception to constitutional restrictions on investing public funds by allowing these universities to invest specified public funds as authorized by the legislature, including in private companies or stock.

Should this constitutional amendment be:

Approved

Rejected

Votes cast by the 2012 Legislature on final passage:

House: Yeas, 93; Nays, 4; Absent, 0; Excused, 1

Senate: Yeas, 45; Nays, 4; Absent, 0; Excused, 0

The Official Ballot Title and the Explanatory Statement were written by the Office of the Attorney General as required by law. The Secretary of State is not responsible for the content of arguments or statements (WAC 434-381-180). The complete text of Senate Joint Resolution 8223 is located at the end of this pamphlet.

Explanatory Statement

Written by the Office of the Attorney General

The Constitutional Provision as it Presently Exists

The state constitution generally limits the investment of state funds. Article VIII, sections 5 and 7 and article XII, section 9 prohibit the investment of state funds in the stocks and bonds of private companies, associations, or corporations. Previous constitutional amendments have made exceptions to these restrictions to permit the legislature to authorize investment of certain funds in private stocks and bonds. Funds that currently may be invested in private stocks and bonds include public pension and retirement funds, industrial insurance (workers' compensation) funds, funds held in trust for persons with developmental disabilities, the permanent common school fund, and permanent higher education funds. Permanent higher education funds are funds primarily derived from the sale, lease, or management of lands granted by the United States to the State of Washington at statehood for educational purposes.

The Effect of the Proposed Amendment, if Approved

If the amendment were adopted, it would create a new exception to the constitutional restrictions on investing public funds. The state constitution would no longer prohibit investment of public monies of the University of Washington and Washington State University in private stocks and bonds. The legislature would specify which funds of the universities could be invested and determine how the funds could be invested.

Fiscal Impact Statement

Written by the Office of Financial Management

Not required by law

Argument For Senate Joint Resolution 8223

Senate Joint Resolution 8223 – Taking a stand for higher education

The global recession has resulted in historic reductions in funding for public higher education. These cuts have caused universities to limit course offerings, which has made it more difficult for students to enroll in the classes they need to graduate. Washington now ranks 40th nationally in terms of the percentage of residents with a bachelor's degree or more.

SJR 8223, supported by broad bipartisan majorities in the Legislature, would support Washington students by providing new dollars to our public universities without more tax revenue.

The citizens of Washington have already amended this section of the State Constitution in order to allow higher return investments of pension and retirement funds and other public funds. Allowing this investment authority for University of Washington and Washington State University funds is a common sense way to maximize funding for higher education. Already, the Legislature and voters have granted the very same investment authority for University trust land revenues.

Finally, all investments will be managed on behalf of the universities by the highly-regarded professionals at the Washington State Investment Board, which is bound by the highest fiduciary standards.

Vote yes for Senate Joint Resolution 8223 to provide a more secure future for our students. *Mr. Gates and Mr. Carson have signed this statement in their individual capacities as private citizens and do not speak for the University of Washington and Washington State University nor their respective Board of Regents.*

Rebuttal of Argument Against

With state cuts threatening access and quality of higher education, SJR 8223 is common sense, responsible reform that mitigates increased reliance on tuition. Supported by students, the State Treasurer and bi-partisan elected leaders, this amendment allows existing, dedicated non-state funds to be invested responsibly for maximum benefit. The State Investment Board – not universities – will invest funds, guaranteeing independent oversight. To prepare the business and civic leaders of tomorrow requires taking action today. Vote yes!

Argument Prepared by

Lisa Brown, State Senator, Senate Majority Leader; **Larry Seaquist**, State Representative, Chair, House Higher Education Committee; **Bill Gates, Sr.**, Regent, University of Washington; **Scott Carson**, Regent, Washington State University

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Argument Against Senate Joint Resolution 8223

This proposed Constitutional amendment does not support higher education. It gambles with students' tuition and other public funds rather than investing in education.

Big Change

This amendment is tied to a new law (SSB 6468) that allows UW and WSU to declare public money "not needed for immediate expenditure" and gamble that money in the stock market, with no limits on what they can declare "not needed" or how they can invest. Once the Constitution is changed, and with universities' new unlimited tuition setting authority, all bets are off for what comes next.

Profit or Loss?

In 2009 UW's endowment lost half a billion dollars in stocks. Gambling on Wall Street will have disastrous effects when the stock market crashes again, cutting into university operating funds.

Holding Back

UW and WSU held \$1.5 billion in cash during the financial crisis. They fired workers, cut services, and increased tuition, making things worse. They prioritized holding cash over instructional programs. They are rich, but plead poor.

Education Last

UW and WSU want "flexibility" to run peripheral enterprises - hospitals, internal banks, venture funds, sports teams - by holding public money as collateral. "Flexibility" means making education last in line for support. *Greed Mentality.* This is a bad Constitutional amendment. It perpetuates the greed mentality Wall Street wants us to buy into. Do you want UW and WSU speculating on stocks or investing in education? *Vote No.* Send UW and WSU a clear message about our education priorities.

Rebuttal of Argument For

The proposed exception allows UW and WSU to gamble on stocks with *operating funds*. Prior constitutional exceptions are for trust funds. The State Investment Board also lost 23% in the crash. The scheme diverts from operations, without limitations, ten times the money it might make, and no guarantee that proceeds will ever support students. The legislature voted to let the public decide if this is bad policy. Don't let universities divert operating funds to stocks.

Argument Prepared by

Gerald Barnett, Ph.D., Citizen; **Maralyn Chase**, State Senator, 32nd District; **Bob Hasegawa**, State Representative, 11th District; **Jim McCune**, State Representative, 2nd District; **Sharon Tomiko Santos**, State Representative, 37th District

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undertakes to finance or provide a facility for use or occupancy by the state or any agency, department, or instrumentality thereof.

(i) The legislature shall prescribe all matters relating to the contracting, funding or refunding of debt pursuant to this section, including: The purposes for which debt may be contracted; by a favorable vote of three-fifths of the members elected to each house, the amount of debt which may be contracted for any class of such purposes; the kinds of notes, bonds, or other evidences of debt which may be issued by the state; and the manner by which the treasurer shall determine and advise the legislature, any appropriate agency, officer, or instrumentality of the state as to the available debt capacity within the limitation set forth in this section. The legislature may delegate to any state officer, agency, or instrumentality any of its powers relating to the contracting, funding or refunding of debt pursuant to this section except its power to determine the amount and purposes for which debt may be contracted.

(j) The full faith, credit, and taxing power of the state of Washington are pledged to the payment of the debt created on behalf of the state pursuant to this section and the legislature shall provide by appropriation for the payment of the interest upon and installments of principal of all such debt as the same falls due, but in any event, any court of record may compel such payment.

(k) Notwithstanding the limitations contained in subsection (b) of this section, the state may issue certificates of indebtedness in such sum or sums as may be necessary to meet temporary deficiencies of the treasury, to preserve the best interests of the state in the conduct of the various state institutions, departments, bureaus, and agencies during each fiscal year; such certificates may be issued only to provide for appropriations already made by the legislature and such certificates must be retired and the debt discharged other than by refunding within twelve months after the date of incurrence.

(l) Bonds, notes, or other obligations issued and sold by the state of Washington pursuant to and in conformity with this article shall not be invalid for any irregularity or defect in the proceedings of the issuance or sale thereof and shall be incontestable in the hands of a bona fide purchaser or holder thereof.

BE IT FURTHER RESOLVED, That the amendments to Article VIII, Section 1, if approved and ratified by the qualified voters of the state, shall be effective on and after July 1, 2014.

BE IT FURTHER RESOLVED, That the statement of subject and concise description for the ballot title of this constitutional amendment shall read "The legislature has proposed a constitutional amendment on implementing the Commission on State Debt recommendations regarding Washington's debt limit. This amendment would, starting July 1, 2014, phase-down the debt limit percentage in three steps from nine to eight percent and modify the calculation date, calculation period, and the term general state revenues. Should this constitutional amendment be:

Approved
Rejected"

BE IT FURTHER RESOLVED, That the secretary of state shall cause notice of this constitutional amendment to be published at least four times during the four weeks next preceding the election in every legal newspaper in the state.

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Complete Text

Senate Joint Resolution 8223

BE IT RESOLVED, BY THE SENATE AND HOUSE OF REPRESENTATIVES OF THE STATE OF WASHINGTON, IN LEGISLATIVE SESSION ASSEMBLED:

THAT, At the next general election to be held in this state the secretary of state shall submit to the qualified voters of the state for their approval and ratification, or rejection, an amendment to Article XXIX, section 1 of the Constitution of the state of Washington to read as follows:

Article XXIX, section 1. Notwithstanding the provisions of sections 5, and 7 of Article VIII and section 9 of Article XII or any other section or article of the Constitution of the state of Washington(,):

(1) The moneys of any public pension or retirement fund, industrial insurance trust fund, or fund held in trust for the benefit of persons with developmental disabilities may be invested as authorized by law; and

(2) The public moneys of the University of Washington and Washington State University in investment funds specified by the legislature may be invested as authorized by law.

BE IT FURTHER RESOLVED, That the secretary of state shall cause notice of this constitutional amendment to be published at least four times during the four weeks next preceding the election in every legal newspaper in the state.

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Political Party Contact Information

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