

Engrossed Senate Joint Resolution No.

8212

The legislature has proposed a constitutional amendment on investment of public funds.

This amendment would allow public money held in a fund for long-term care services and supports to be invested by governments as authorized by state law, including investments in private stocks.

Should this constitutional amendment be:

Approved

Rejected

Final Votes Cast by the Legislature

Senate: Yeas, 45; Nays, 3; Absent, 0; Excused, 1

House: Yeas, 96; Nays, 1; Absent, 0; Excused, 1



The Secretary of State is not responsible for the content of statements or arguments (WAC 434-381-180).

Explanatory Statement

Written by the Office of the Attorney General

The Constitutional Provision as it Presently Exists

The Washington Constitution generally prohibits investing public money in the stock of private companies. This means that state and local governments are limited to investing public funds in fixed-income securities, such as government and corporate bonds and certificates of deposit.

The Constitution currently exempts several funds from this restriction. This exemption applies to any public pension or retirement fund, the industrial insurance trust fund, and money held in trust for the benefit of people with developmental disabilities. The exemption allows state and local governments to invest money held in those funds as authorized by law, including by investing in stock as authorized by the Legislature.

In 2019, the Legislature enacted a law providing for long-term care insurance. Under that law, employees will pay premiums for state-sponsored long-term care benefits through a payroll deduction, beginning January 1, 2022. Those premiums will be deposited into a new Long-Term Services and Supports Trust Account (Trust Account). Under current law, money held in the Trust Account could not be invested in stocks.

The Effect of the Proposed Amendment if Approved

This Amendment would add the Trust Account to the list of funds that are exempt from the prohibition against investing public money in private stocks. This would allow money in the Trust Account to be invested in stock if the Legislature authorizes that form of investment.

Fiscal Impact Statement

Not required by law

Argument for

Washingtonians Support ESJR 8212 – a fiscally responsible investment decision

In 2019, the Washington State Legislature passed The Long Term Care Trust Act to address the growing long-term care crisis. 70% of adults over the age of 65 will require some form of long-term care but 90% are not insured for long-term care. The Long Term Care Trust fund will help families access and afford these critical services with a benefit of up to \$36,500 indexed to inflation. The fund is available to Washingtonians once they need assistance with three or more regular daily activities such as eating, bathing, or help with medications and are vested by paying into the program.

Benefits will begin being paid out in 2025 and do not count as income for determining eligibility for Medicaid or other state safety-net programs.

Voting in favor of this ballot measure helps to ensure the Long Term Care Trust fund can pay benefits to eligible Washingtonians over the long-term. This ballot measure, ESJR 8212, will allow the Long Term Care Trust fund to be included on the list of public funds exempt from current constitutional investment restrictions. If voters approve this ballot measure, the Long Term Care Trust fund could be invested in the same way that pension funds and ABLE funds are currently invested by our state. The Trust is self-funded with an independent commission and the state actuary responsible for regular certification of the program's solvency.

Rebuttal of argument against

Support for ESJR 8212 is the fiscally responsible choice. With voter's approval, funds would be invested like the State pension and ABLE funds are currently invested, which allows for larger investment growth. Through each economic downturn the market has rebounded demonstrating the overall long term strength of the economy. Higher yield investment options are good for the people of Washington and critically important to Long Term Services and Supports programs in the future.

Written by

Cathleen MacCaul, Advocacy Director, AARP Washington State; **Susie Young**, Home Care Worker & Executive Board Member, SEIU 775; **Jim Wilgus**, Regional Leader & Executive Director, Alzheimer's Association; **Dan Murphy**, Policy Chair, Washington Association of Area Agencies on Aging; **Walt Bowen**, President, Washington State Senior Citizen's Lobby; **Lauri St. Ours**, Executive VP Government Relations, Washington Health Care Association

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Argument against

In 1889, the wise founders of the state of Washington wanted to protect public funds from potential losses of risky investments so they established safeguards in our state Constitution prohibiting stock market investments of our public funds.

SJR 8212 will overturn that safeguard for our new Long-Term Care Services and Supports Trust Program, a multi-Billion-dollar program established this legislative session in preparation for the coming "Silver Tsunami" of elderly needing services. With so much money in play, we must not lose sight of the stock market's high risk along with the questionable bottom line ethics of some Wall Street brokers.

From 2000-03 the Dow Jones Industrial Average (DJIA) lost a third of its value. Around 2008-09 the DJIA lost half its value during the Great Recession. This year the DJIA fell over 37% in less than six weeks from February 12, 2020 to March 23, 2020. Who knows where it is going from here? The long-term economic impacts of COVID-19 are still unknown.

Your vote is about prudent fiscal management of our tax dollars. A better idea is to invest public money into federal, state and municipal bonds that support public works we all depend on in Washington. They're safe. Don't let Wall Street brokers gamble with our hard-earned tax dollars.

The Founders didn't trust the stock market then, and we shouldn't trust it now. Please vote *no* on SJR 8212.

Rebuttal of argument for

Your No vote will protect the long-term stability of the Trust Fund from being gambled on by Wall Street. SJR 8212's passage absolutely does not guarantee that long term care benefits will actually be paid out to eligible Washingtonians. Don't gamble with the people's hard-earned money. We can better safeguard our money *and* know that it is being invested in a responsibly prudent way by casting a strong *no* vote on SJR 8212.

Written by

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