

**REVENUE: No revenue impact**

**FISCAL: No fiscal impact**

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<b>Action:</b>	Do Pass as Amended and Be Printed Engrossed
<b>Vote:</b>	9 - 0 - 0
<b>Yeas:</b>	Barker, Bonamici, Cameron, Flores, Komp, Krieger, Read, Whisnant, Macpherson
<b>Nays:</b>	0
<b>Exc.:</b>	0
<b>Prepared By:</b>	Matt Kalmanson, Counsel
<b>Meeting Dates:</b>	3/20, 4/17

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**WHAT THE MEASURE DOES:** Enacts the Revised Uniform Prudent Management of Institutional Funds Act (Revised Act), which provides statutory guidelines for the management, investment and expenditure of endowment funds, and the modification of restrictions on charitable funds, except those managed by the State Treasurer. Provides guidance on investment authority, permits delegation of authority to independent financial advisors, authorizes the expenditure of the appreciation of investment funds, and provides rules for the release of restrictions on the use or investment of funds. Establishes that the appropriation of greater than seven percent of the fair market value of an endowment fund creates a rebuttable presumption that the appropriation was imprudent. Requires persons responsible for managing and investing institutional funds to “manage and invest the fund in good faith and with the care of an ordinarily prudent person in a like position would exercise under similar circumstances.” Repeals Oregon’s Uniform Management of Institutional Funds Act.

**ISSUES DISCUSSED:**

- The National Conference of Commissioners on Uniform State Laws
- The Uniform Management of Institutional Funds Act
- Modern portfolio management theory
- The “prudent investor rule” and the need for flexibility in managing endowment funds
- The elimination of the “historic dollar value” rule
- Laws that govern the management of funds managed by the Treasurer

**EFFECT OF COMMITTEE AMENDMENT:** Clarifies that the Revised Act does not apply to funds managed or invested by, or on behalf of, the State Treasurer. Clarifies that the provisions relating to the modification or release of restrictions contained in gift instruments also apply to property given to the state by private donors.

**BACKGROUND:** The Act was promulgated by the National Conference of Commissioners on Uniform State Laws in 1972, and was adopted by Oregon in 1975 (together with 48 other states, in various forms). The Act was intended to provide statutory guidelines for the management, investment and expenditure of endowment funds of charitable institutions. In 2006, the National Conference of Commissioners revised the Act, with the intent of incorporating modern portfolio theory from the Uniform Prudent Investor Act and the Uniform Principal and Income Act. The Revised Act does this, in part, by adopting a prudent investor standard for investment decision making, and allowing diversification of assets, pooling of assets, total return investment and whole portfolio management. The Revised Act also repeals the so-called “historic dollar value” rule, which under current law precludes institutions from spending asset appreciation below its historic dollar value. The Revised Act gives institutions more flexibility in spending its assets, but creates a rebuttable presumption that expenditures exceeding seven percent of the total return is imprudent.

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*This summary has not been adopted or officially endorsed by action of the committee.*