

REVENUE: No revenue impact

FISCAL: No fiscal impact

Action: Do Pass the A-Engrossed Measure
Vote: 5 - 0 - 0
Yeas: Beyer, Kruse, Prozanski, Walker, Burdick
Nays: 0
Exc.: 0
Prepared By: Matt Kalmanson, Counsel
Meeting Dates: 5/29

WHAT THE MEASURE DOES: Enacts the Revised Uniform Prudent Management of Institutional Funds Act (Revised Management Act), which provides statutory guidelines for the management, investment and expenditure of endowment funds, and the modification of restrictions on charitable funds. Among other things, 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. Repeals Oregon's Uniform Management of Institutional Funds Act (Management 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

EFFECT OF COMMITTEE AMENDMENT: No amendment.

BACKGROUND: The Management 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). The Management Act provided statutory guidelines for the management, investment and expenditure of endowment funds of charitable institutions. In 2006, the National Conference of Commissioners created the Revised Management Act, with the intent of incorporating modern portfolio theory into the Management Act. The Revised Management Act does this, in part, by adopting a prudent investor standard for investment decision making, and allowing the diversification of assets, the pooling of assets, and whole portfolio management. The Revised Act also repeals the so-called "historic dollar value" rule, which precludes institutions from spending asset appreciation below the historic dollar value of the asset. The Revised Management Act gives institutions more flexibility in spending its assets, but creates a rebuttable presumption that an expenditure of greater than seven percent of the fair market value of an endowment fund is imprudent.