

FACTS
ABOUT

AMENDMENT 1

2008 NEBRASKA PRIMARY ELECTION
MAY 13, 2008

WHAT IS AMENDMENT 1?

Amendment 1 is a proposed amendment to the Nebraska Constitution. If passed by voters on May 13, 2008, Amendment 1 would allow public endowments to diversify into a broader range of investment options for the purpose of achieving the highest reasonably possible total return over time in a **safe** and **prudent** manner.

Amendment 1 would update Article XI, Section 1, of the Nebraska Constitution which was put in place over a century ago in 1875.

Amendment 1 **would not** change the current investment practices related to the general operating funds of cities or counties. Amendment 1 would only allow the diversification of public endowment funds according to the **prudent investor doctrine**.

AMENDMENT 1 MAKES SENSE

Amendment 1 seeks to implement modern financial rules on community endowments to ensure they are safe and growing.



PROTECTING YOUR COMMUNITY'S MONEY

Amendment 1 has strict limitations that hold communities **accountable** for public endowment investments and put **safeguards** in place to make sure communities are managing their public endowments wisely. Investments would be run by **trustees who have a legal obligation** to invest wisely to protect the endowment funds. Community member boards will oversee the funds and must adhere to **strict rules** on spending. As an additional safeguard, the Nebraska legislature may provide oversight.

STATE LEADERS SAY AMENDMENT 1 IS IMPORTANT TO NEBRASKA

Amendment 1 has strong support from a wide range of people across the State. **U.S. Senator Ben Nelson** and **Nebraska Attorney General Jon Bruning** have agreed to share their enthusiasm about Amendment 1 with Nebraskans. The State Legislature approved the measure 42 to 2.

AN INVESTMENT IN THE FUTURE

Amendment 1 allows for not only **safer investments**, but investments that **grow faster**. Under current practices, the average annual return is approximately 5 percent. The projected average annual return for the investments under Amendment 1 is 9 percent—**almost double**. In 20 years, that means a community's endowment fund would have nearly 80 percent more money to put toward local services, like parks, libraries, health care and neighborhoods.

WHAT IS A PUBLIC ENDOWMENT?

A public endowment may be created to hold assets given to a public entity (e.g. city or county) with a stipulation that the funds are invested to generate interest rather than be spent immediately. These funds may come as a gift, bequest, or from the sale of a public asset. These are **not tax dollars**.

Annual earnings of the public endowment may be used for defined public purposes such as parks or health care. Unspent earnings are reinvested in the fund to ensure that the endowment continues to grow and yield more support for **public benefit**.

WHAT IS A PRUDENT INVESTOR?

If passed by Nebraska voters, Amendment 1 would require that governmental subdivisions invest public endowment funds *“in the same manner as would a prudent investor.”* This means that the trustees of the public endowment would have a **legal duty to invest the funds wisely**. According to Amendment 1, trustees of public endowments would be required to act with *“care, skill, and diligence,”* to *“protect and benefit”* the public endowment fund.

OTHER FACTS

- Amendment 1 was placed on the Primary Election ballot by a vote of 42 to 2 by the Nebraska Legislature.
- Assume that a person invested \$1 in a 70% stock/30% bond portfolio and \$1 in a 100% bond portfolio in 1926, and the fund was adjusted annually for inflation and a 4% payout. The stock/bond portfolio would have more than quadrupled in value by the end of 2004 to \$4.80, while the *bond-only portfolio would have decreased in value by 85% to 15 cents.*

This educational information is provided to you by the Community Health Endowment of Lincoln (CHE). To learn more about Amendment 1 or CHE, visit www.NebraskaAmendment1.org or www.chelincoln.org, or call (402) 436-5516.

For Example...

The Community Health Endowment (CHE) is an example of a **public endowment** in Nebraska that would benefit from Amendment 1.

CHE was created in 1998 by the sale of a city-owned facility. The proceeds from the sale are municipal funds that have been placed in a separate public endowment. In addition to growing at the rate of inflation, the fund has returned nearly \$11 million to support health-related initiatives. Many of these initiatives address healthcare for the poor, elderly, homeless, and mentally ill. CHE funds have also provided assistance to agencies that serve refugee and minority populations, high-risk children, victims of domestic violence, and persons with substance addiction. These public endowment funds have reduced reliance on taxpayer resources and alleviated the growing burden on human service infrastructure.

Amendment 1, if passed, would modify current investment restrictions on CHE and other public endowments in Nebraska, allowing broader diversification of investments, and providing the opportunity for millions of dollars in additional returns for community improvement. Amendment 1 would provide the opportunity for Nebraska communities to diversify the investment of funds deposited in a public endowment for the long term benefit of their residents and Nebraska’s future generations.

Primary Election Ballot Language

- A vote **FOR** this amendment will authorize the Legislature to permit certain communities to invest public endowment funds in the same manner as would a prudent investor. The communities, acting with care, skill, and diligence, would be responsible to act exclusively to protect and benefit the endowment investments subject to limitations as the Legislature may provide.
- A vote **AGAINST** this amendment will retain the existing, more limiting restrictions on such communities' ability to invest public endowment funds.