Enhanced “Blue Sky” Enforcement: A Path to Help Solve Our Public School Funding Dilemma

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I very much appreciate being invited to author the lead contribution to this commemorative issue of the Washburn Law Journal. This outstanding journal is celebrating fifty years of superb scholarship with a key focus of this issue on the 100th anniversary of the Kansas “blue sky” statute,1 the first meaningful state securities statute enacted in our country’s history.2 Indeed,

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I thank Gregory Ivy, Associate Law Librarian, at the SMU Law School for his research assistance on this project. I also thank my wife, Laurie Steinberg, for her superb insights. My wife, our three children—Alexandra (Alex), Avram (Avi), and Phillip (Bear)—and I have attended public schools. We are strong advocates of the public school system in our country.

This Essay is dedicated to my wonderful sister, Nancy Burman. She has taught in the Columbus, Ohio, public schools for approximately twenty-five years. She has worked long and productive hours for the good of her students for far too little compensation and appreciation. She has raised three lovely daughters, all of whom are products of public schools, who now are all successful professionals, mothers, and wives. And now she has seven grandchildren. Kudos to my terrific big sister, Nancy—I am fortunate to be your little brother, and I Love You.

1. 1911 Kan. Sess. Laws 210. The term “blue sky” may be derived from the saying at the time the laws were created that promoters of fraudulent schemes would even “sell building lots in the blue sky in fee simple.” Thomas Mulvey, Blue Sky Law, 36 CANADIAN L. TIMES 37, 37 (1916). As more fully stated by Mulvey:

A definition of “Blue Sky Law” is necessary. The State of Kansas, most wonderfully prolific and rich in farming products, has a large population of agriculturists not versed in ordinary business methods. This State was the hunting ground of promoters of fraudulent enterprises; in fact their frauds became so barefaced that it was stated that they would sell building lots in the blue sky in fee simple. Metonymically they became known as blue sky merchants, and the legislation intended to prevent their frauds was called Blue Sky Law.

Id.

2. See Louis Loss, Joel Seligman & Troy Paredes, SECURITIES REGULATION 53–54 (4th ed. 2006). The 1911 Kansas statute embraced merit regulation and had enforcement capability. Id. There is commentary regarding the Kansas blue sky statute at or around the time of its passage. See, e.g., Kansas’s “Blue Sky” Law, N.Y. TIMES, Oct. 13, 1911, at 10; Expect to Improve “Blue Sky” Law, N.Y. TIMES, Nov. 23, 1912, at 8; State to Guard Investors, N.Y. TIMES, Feb. 23, 1913, at 24; Harry F. Kohr, The Blue Sky Law, TECHNICAL WORLD MAGAZINE, Mar. 1912, at 36; Will Payne, How Kansas Drove Out a Set of Thieves, SATURDAY EVENING POST, Dec. 2, 1911, at 3. The Topeka newspaper, then called the Topeka Daily Capital, also reported the Act’s passage. See, e.g., Dolley’s “Blue Sky” Bill Is Ready to Be Signed, TOPEKA DAILY CAPITAL, Mar. 8, 1911, at 4; Blue Sky Law Enough to Scare Them Out, TOPEKA DAILY CAPITAL, Mar. 24, 1911, at 4; Protection Is Blue Sky, TOPEKA DAILY CAPITAL, Mar. 26, 1911, at 17; “Blue Sky Law” Is Explained by Dolley, TOPEKA DAILY CAPITAL, Mar. 28, 1911, at 4; Collier’s Comments Dolley’s Blue Sky Law, TOPEKA DAILY CAPITAL, Apr. 6, 1911, at 4; Other States Ask About Blue Sky Bill, TOPEKA DAILY CAPITAL, Apr. 9, 1911, at 18; They Want to Know About Blue Sky Law, TOPEKA DAILY CAPITAL, Apr. 29, 1911, at 4. Blue sky laws were constitutionally upheld in Hall v. Geiger-Jones Co., 242 U.S. 539 (1917) (holding that Ohio’s version of the blue sky law did not violate the Fourteenth Amendment).
the Kansas statute justifiably may be viewed as the first significant consumer protection legislation in United States history.

Much has been written on state securities laws. This scholarship has focused on the origins of the blue sky statutes, their proclaimed attributes, and their asserted deficiencies. Undoubtedly, the past few decades have witnessed a deluge of criticism levied on blue sky regulation. These statutes and their enforcement have been taken to task for their purportedly excessive regulatory zeal and impairment of capital formation.

State securities regulators and the laws they enforce are thus favorite targets for those favoring deregulation of our capital markets. State statutory and enforcement practices are criticized for their ineptness, rigidity, and failure to modernize to current-day market conditions. In this respect, state securities regulators and the statutes they administer have much in common with public school teachers—both suffer indignation by critics who claim they should do better with the same or fewer resources.


6. See supra note 5. For example, regarding the shortcomings of merit regulation, Professor Campbell has stated that “millions of dollars are spent each year on a system of [state] regulation that provides no significant protection to investors and retards capital formation.” Campbell, Open Attack, supra note 5, at 579.

7. See Campbell, Open Attack, supra note 5; Mofsky & Tollison, supra note 5, at 369 (opining that state “regulators are more often concerned with benefits than they are with costs [and that] [t]he cost side of the measurement is sometimes not even addressed as an issue”).

8. See Subcommittee on Merit Regulation, supra note 5, at 847 (asserting that “merit regulation is not, indeed cannot be, without costs, and the reality of those costs must be acknowledged”); Campbell, Open Attack, supra note 5, at 553 (asserting that state securities laws “are ineffective, philosophically unsound, and unnecessarily expensive, and they should be substantially eliminated”); Mofsky & Tollison, supra note 5, at 369.

We are well aware of the current siege against public school teachers. Faced with budget shortfalls, state legislatures are seeking to rein in perceived teacher entitlements.\textsuperscript{10} Some of the populace have jumped on this bandwagon, asserting that teachers have "soft" jobs, excessively long vacations, and disproportionately large paychecks.\textsuperscript{11} Layoffs and benefit reductions are common fare, with tongue-lashing accompaniments.\textsuperscript{12} With the financial challenges that many states face, this situation appears here to stay.

This predicament is, to say the least, unfortunate. In addition to core values and feelings (such as love, commitment, integrity, empathy, and patriotism), education is among the most important assets that parents and society can provide for a child. We are in a country rich in resources and people. During the past 100 years, we have spent hundreds of billions of dollars and suffered the loss of hundreds of thousands of our young men and women in our continual efforts to promote democracy and fight terror in the world. Today, our nation’s armed forces are in Afghanistan and Iraq, among other countries, pursuing this mission. In this respect, a treasure of our country is our children. We must provide them with every reasonable opportunity to succeed. Having deficient schools with dissatisfied teachers is not a viable route to achieve this objective.

Many of us can remember a teacher or two or three who made a real difference in our perception of self. For me, who had a speech impediment growing up, that teacher was a third grade science teacher, Mr. Lucchi. He was the first person outside of my family who convinced me that I am, at least to some degree, intelligent and perceptive. Perhaps I would have acquired the self-confidence I have today through the love and support of my mother, father, and sister, Nancy, without this reinforcement. But for many children in our country, it is the teachers who are on the front lines and who are critical to children’s quests for success.

A country that spends billions abroad but fails to educate its young people capably is flirting with tumult. Something positive must be done to alleviate the funding catastrophe our public schools face. Recognizing that appropriate funding is lacking and that large tax increases are not a palatable approach, an alternative path must be found. I propose that this path is before us and rekindles our endearment to an old ally—the state blue sky laws.

Many states today authorize the imposition of monetary fines based on civil and criminal violations of their state securities laws.\textsuperscript{13} My proposal is for


\textsuperscript{11} See Gabriel, supra note 9, at A1 (“The jabs Erin Parker has heard about her job have stunned her. Oh you pathetic teachers, read the online comments and placards of counterdemonstrators. You are glorified baby sitters who leave work at 3 p.m. You deserve minimum wage.”).

\textsuperscript{12} See supra notes 9–11.

\textsuperscript{13} See, e.g., TEX. REV. CIV. STAT. ANN. art. 581-23-1 (West 2010); Cox v. Garvin, 607 S.E.2d 549 (Ga. 2005); LONG, supra note 3, at § 8.01.
states to create the authority to fine if none exists and for those states that have such provisions to revisit them and determine whether they should be expanded.

With the staffing by the states of enforcement personnel, including accountants, attorneys, analysts, and investigators, who are proficient and sufficient in number, an increase in the quantity and size of meritorious enforcement actions is likely. An ensuing consequence is that the amount of monetary penalties and fines that violators pay should significantly increase. These dollars, under my proposal, should be earmarked solely for public school education, including teacher hiring, retention, salaries, and benefits. In this manner, valuable additional funding can be procured for our public schools.

Whether these amounts paid in fines and penalties would be sufficient in some states to make a significant difference in the level of funding for public schools is questionable. Nonetheless, with respect to those states that experience widespread investor fraud, the amounts that foreseeably can be generated are significant. These states include Arizona, California, Colorado, Florida, Illinois, Maryland, Massachusetts, Michigan, Missouri, Nevada, New Jersey, New York, Ohio, Pennsylvania, Tennessee, Texas, and Utah.14

This framework readily can be expanded to encompass other state regulatory violations. Monetary fines imposed by the states on violators for engaging in consumer and tax fraud serve as examples. Although these funds can be directed to serve other state purposes, earmarking these funds for public education should ameliorate the current funding dilemma.

This proposal, looking to the blue sky laws and state securities regulators to help solve a public crisis, flows nicely with the traditional role played by these actors. Enacted to combat widespread investor fraud, the Kansas blue sky law, and others that followed, sought to protect residents within their respective states.15 Through the years, the blue sky laws have been vigorously enforced by some state regulators and have provided meaningful relief to aggrieved investors.16 In many states, regulators can procure significant civil enforcement remedies, including cease and desist orders, injunctions, disgorgement of ill-gotten profits, appointment of a receiver, and monetary

15. See Loss & Cowett, supra note 3, at 1–10; Macey & Miller, supra note 4, at 350–70; supra notes 1–2.
penalties.\textsuperscript{17} Criminal enforcement, likewise, is vigorous in a number of states where convictions may be procured for certain violations, such as registration violations, based on strict liability.\textsuperscript{18} Treating state securities law violations as public welfare offenses premised on strict liability principles, thereby giving prosecuting authorities vast discretion whether to institute a criminal case, enhances compliance with state law mandates.\textsuperscript{19}

Similarly, investors frequently enjoy significant protections under the blue sky laws. Registration violations are premised on strict liability; a number of states have longer statute of limitations than the one-year period provided under federal law.\textsuperscript{20} The making of a material misstatement by a seller\textsuperscript{21} in the offer or sale of securities is actionable unless such seller establishes that he exercised reasonable care.\textsuperscript{22} And, unlike federal law,\textsuperscript{23} aider and abettor liability against secondary actors is expressly provided for by many states’ blue sky statutes.\textsuperscript{24}


\textsuperscript{19} See Steinberg & Ferrara, supra note 3, at § 13:22.

\textsuperscript{20} See USA § 410(a)(1); Giordano v. Auditore, 244 N.E.2d 555 (Mass. 1969); Cola v. Terzano, 322 A.2d 195 (N.J. Sup. Ct. 1974).


\textsuperscript{22} Generally, information is material if reasonable investors would consider such information important in their investment or voting decisions. See Malone v. Brincat, 722 A.2d 5 (Del. 1998); cf. Basic Inc. v. Levinson, 485 U.S. 223 (1988).

\textsuperscript{23} Generally, states have adopted different definitions of seller. The majority view appears to adopt the U.S. Supreme Court’s standard set forth in Pinter v. Dahl. 486 U.S. 622, 644–45 (1988) (defining a seller under § 12(1) of the Securities Act to encompass the vendor, the vendor’s agent, one who solicits the purchase for personal financial gain, and one who solicits the purchase to benefit the vendor). Some state courts have chosen to adopt Pinter. See, e.g., Meyers v. Lott, 993 P.2d 609 (Idaho 2000); Wilson v. Mitzko, 508 N.W.2d 238 (Neb. 1993); Shavin v. Virginia, 437 S.E.2d 411 (Va. 1993). Nonetheless, a number of states have declined to adopt Pinter. See, e.g., Mays v. Ridenhour, 811 P.2d 1220 (Kan. 1991); Hoffer v. Washington, 776 P.2d 963 (Wash. 1989). See also Matthew J. Morrison, Participant Liability Under Blue Sky Rescission Statutes: The Diminishing Importance of the Definition of a Statutory Seller, 33 SEC. REG. L.J. 102 (2005); Steinberg & Claassen, supra note 3, at 11–13.

\textsuperscript{24} See USA § 410(a)(2). Factors that may be considered in determining whether the reasonable care defense is met include:

(1) the relationship of the parties, (2) their respective knowledge of information about the security in the transaction, (3) their relative sophistication and access to such information, (4) their respective expectations of benefit from the transaction, and (5) whether the untruth or omission was in a document prepared for use in the purchase or sale of a security . . . .

TEX. REV. CIV. STAT. ANN. art. 581-33 cmt. to § 33.


\textsuperscript{26} See, e.g., USA § 410(c) (providing for aider and abettor liability exposure on the following people: “every partner, officer, or director of such a person, every person occupying a similar status or performing similar functions, every employee of such a person who materially aids [the sale], and every broker-dealer or
Indeed, exasperated by plaintiffs flocking to state courts to bring their class actions after the enactment of the Private Securities Litigation Reform Act of 1995,27 Congress three years later passed the Securities Litigation Uniform Standards Act ("SLUSA"),28 which preempts, with certain exceptions,29 state class actions involving nationally traded companies.30 SLUSA signifies that generally, with the exception of derivative actions and breach of fiduciary suits in merger and acquisition transactions,31 class actions involving companies listed on the national stock exchanges, such as the New York Stock Exchange and the NASDAQ Global Market, can be instituted only in federal court alleging federal claims.32 SLUSA thus significantly enhances the ability of publicly held companies to fend off perceived strike suit litigation.33 On the other hand, it precludes ordinary investors, who do not have the resources to bring an individual action, from their state remedies in meritorious


29. Key SLUSA exceptions are that derivative actions and suits based on breach of fiduciary duty in merger and acquisition transactions are not preempted. Moreover, SLUSA does not affect the bringing of individual actions under state law. Also, the state securities regulators are not preempted under SLUSA from bringing enforcement actions based on violation of state law. See Steinberg, SECURITIES REGULATION, supra note 3, at 544–45; Lisa L. Casey, Shutting the Doors to State Court: The Securities Litigation Uniform Standards Act of 1998, 27 SEC. REG. L.J. 141 (1999); Richard W. Painter, Responding to a False Alarm: Federal Preemption of State Securities Fraud Causes of Action, 84 CORNELL L. REV. 1 (1998).


31. See supra note 29.


33. Generally, strike suit litigation is sufficiently meritorious to fend off a motion to dismiss but is not a case in which the plaintiff has a realistic possibility of success if the matter were to be litigated at trial. The U.S. Supreme Court has taken a dim view of strike suit litigation. See, e.g., Stoneridge Inv. Partners L.L.C. v. Scientific-Atlanta, Inc., 552 U.S. 148, 163–64 (2008); Cent. Bank of Denver v. First Interstate Bank of Denver, 511 U.S. 164, 191 (1994); Blue Chip Stamps v. Manor Drug Stores, 421 U.S. 723, 739–48 (1975). For example, in a case decided more than thirty-five years ago, the U.S. Supreme Court took a critical view of securities litigation:

The potential for possible abuse of the liberal discovery provisions of the Federal Rules of Civil Procedure may . . . exist in this type of case to a greater extent than they do in other litigation. The prospect of extensive deposition of the defendant’s officers and associates and the concomitant opportunity for extensive discovery of business documents, is a common occurrence in this and similar types of litigation. To the extent that this process eventually produces relevant evidence which is useful in determining the merits of the claims asserted by the parties, it bears the imprimatur of those Rules and of the many cases liberally interpreting them. But to the extent that it permits a plaintiff with a largely groundless claim to simply take up the time of a number of other people, with the right to do so representing an in terrorem increment of the settlement value, rather than a reasonably founded hope that the process will reveal relevant evidence, it is a social cost rather than a benefit.

Blue Chip Stamps, 421 U.S. at 741 (holding that standing in private § 10(b) actions is limited to purchasers or sellers of subject securities).
actions.\textsuperscript{34} Whether Congress appropriately weighed these competing considerations, particularly in light of the financial debacles that have occurred in the past decade,\textsuperscript{35} is subject to debate.\textsuperscript{36}

Thus, preemption of the blue sky laws is a route that Congress has undertaken with some vigor. For example, due to the states' perceived unduly harsh and inconsistent treatment of nationally traded companies registering their securities,\textsuperscript{37} government oversight of such registration today is now solely within the purview of the federal securities laws.\textsuperscript{38} As another example, with respect to private offerings under Rule 506 of Regulation D,\textsuperscript{39} a number of states were viewed by their critics as imposing unduly rigorous conditions for perfecting the exemption on the state level, thereby needlessly impeding capital formation.\textsuperscript{40} By preempting from registration state regulation of offerings that meet the Rule 506 exemption,\textsuperscript{41} Congress agreed with this position in its enactment of the National Securities Markets Improvement Act of 1996.\textsuperscript{42}

Shortly after engaging in this quest of preemption and removal of perceived regulatory impediments to capital raising, our country has witnessed massive financial debacles during the past decade that threaten the integrity of the U.S. capital markets.\textsuperscript{43} Congress responded by enacting corporate governance legislation in 2002 (the Sarbanes-Oxley Act)\textsuperscript{44} and in 2010 (the

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\textsuperscript{34} See Casey, supra note 29, at 146–47; Painter, supra note 29, at 71–75.\
\textsuperscript{35} These include Enron, WorldCom, Tyco, Global Crossings, Adelphia, Madoff, and Stanford.\
\textsuperscript{36} See generally KURT EICHENWALD, CONSPIRACY OF FOOLS (2005); JAMES B. STEWART, DEN OF THIEVES (1991); Colloquium, Ethics in Corporate Representation, 74 FORDHAM L. REV. 947 (2005).\
\textsuperscript{37} See Campbell, Open Attack, supra note 5, at 557–67.\
\textsuperscript{38} See Securities Act of 1933 \textsection 18(b)(1) (codified as amended 15 U.S.C. \textsection 77r(b)(1)). Although enacted pursuant to the National Securities Markets Improvement Act of 1996 ("NSMIA"), this national market exemption to securities listed or to be listed on a national securities exchange was the practice prior to the passage of that Act. See Robert G. Bagnell & Kimble Cannon, The National Securities Markets Improvement Act of 1996: Summary and Discussion, 25 SEC. REG. L.J. 3, 6 n.13 (1997) (citing [1996 Transfer Binder] Blue Sky L. Rep. (CCH) \textsection 6401 at 2501, 2514.) Note, however, that if the offering documents are materially misleading, the respective states retain their enforcement authority.\
\textsuperscript{39} 17 C.F.R. § 230.506. Rule 506 was adopted in Securities Act Release No. 6389 (1982).\
\textsuperscript{40} See Mark A. Sargent, The New Regulation D: Deregulation, Federalism and the Dynamics of Regulatory Reform, 68 WASH. U. L.Q. 225 (1990).\
\textsuperscript{43} See, e.g., CHRISTOPHER DODD, COMM. ON BANKING, HOUSING, AND URBAN AFFAIRS, THE RESTORING AMERICAN FINANCIAL STABILITY ACT OF 2010, S. REP. NO. 111-176, at 35 (2010) (stating that the Act contains "provisions that respond to significant aspects of the financial crisis caused by poor securitization practices (Subtitle D); erroneous credit ratings (Subtitle C); ineffective SEC regulation . . . ; and executive compensation practices that promoted excessive risk-taking (Subtitle E)"); PAUL SARBANES, COMM. ON BANKING, HOUSING, AND URBAN AFFAIRS, PUBLIC COMPANY ACCOUNTING REFORM AND INVESTOR PROTECTION ACT OF 2002, S. REP. NO. 107-205, at 2 (2002) (stating that "[t]he purpose of the [Sarbanes-Oxley Act] is to address the systemic and structural weaknesses affecting our capital markets which were revealed by repeated failures of audit effectiveness and corporate financial and broker-dealer responsibility in recent months and years").\
Dodd-Frank Act). Provisions in these Acts federalize norms of corporate governance that traditionally have been within the purview of the states.

Whether these Acts will serve their objectives of enhancing corporate governance and compliance with the law remains to be seen. But what is clear is that the U.S. Securities and Exchange Commission ("SEC") cannot reliably be depended on to detect and enforce violations of the law, particularly massive financial frauds, on a uniform basis. The Madoff and Stanford scandals are simply the best known, of course, for good reason in light of the huge investor losses suffered.

Although a premier regulatory agency, the SEC simply does not have the wherewithal in resources or personnel to accomplish this arduous objective. Although Congress expanded the SEC's tasks in the Dodd-Frank Act in 2010, it thus far has refused to authorize the necessary appropriations for the Commission to have any realistic possibility of success in this endeavor. Nonetheless, missing the existence of massive financial frauds in its enforcement practice long has been a characteristic of the SEC. One may remember the Equity Funding debacle more than thirty years ago when the SEC ignored tips relating to financial fraud. Only after the fraud's public revelation


46. Under the Sarbanes-Oxley Act, examples include: the requirement that members of the audit committee be independent directors; the SEC's power to procure a court order precluding a violator of the securities laws, who engaged in fraud and who is deemed unfit, from serving as an officer or director of a publicly held company; and the general prohibition of publicly held companies extending loans to its directors and executive officers. Under the Dodd-Frank Act, examples include requiring advisory shareholder votes on executive compensation and golden parachutes, as well as requiring that the compensation committee be comprised entirely of independent directors. See generally CCH Attorney-Editor Staff, Dodd-Frank Wall Street Reform and Consumer Protection Act (2010); [SEC Commissioner] Casey Criticizes Increasing Federalization of Corporate Governance, FED. SEC. L. REP. (CCH) No. 2465, at 15 (Feb. 2, 2011).


48. See David Ratner, The SEC at Sixty: A Reply to Professor Macey, 16 CARDOZO L. REV. 1765, 1779 (1995), opining that "[t]he SEC is one important reason why the securities industry is so much better shape than other financial service industries, and why U.S. securities markets are the best securities markets in the world"). Of course, the recent scandals and the SEC's failure to detect these frauds have sullied to some degree the Commission's superb reputation. See supra note 47.

49. See David S. Hilzenrath, SEC Chair Schapiro: Budget Freeze Hurts Ability to Regulate Financial Markets, WASH. POST, Feb. 5, 2011, at A10 (stating that under Dodd-Frank, "the SEC has expanded responsibilities for regulating hedge fund advisers, credit rating agencies and derivatives, [and] is also tasked with translating the law into many new rules").


51. See Dirks v. SEC, 463 U.S. 646, 650 (1983), rev'd, 681 F.2d 824 (D.C. Cir. 1982). The SEC's lack of impressive investigative acumen is set forth by the D.C. Circuit as follows:...
became known significantly through analyst Raymond Dirks’ diligence did the SEC awake. And then it rewarded Dirks by bringing an insider trading enforcement action against him^52—indeed, remarkable.

That is why the states in their enforcement of the blue sky laws are important to market integrity and investor protection. The SEC needs help. The states are well equipped to render assistance. Although not a cure-all, vigorous state enforcement will provide a welcome boost to these laudable objectives. Enhanced blue sky enforcement in the face of continual investor fraud that inflicts billions of dollars of loss to state residents,^53 many of whom are elderly,^54 is a mandated prescription in these times. Now is the time for the state legislatures to be proactive and provide the necessary tools and resources for their blue sky personnel to protect their residents.

Implementation of this strategy should redound to the benefit of the states—not only investors—children as well. By creating an “Education Fund” whereby penalties and fines levied on blue sky violators will be placed into this fund, the public school funding crisis will be alleviated, hopefully to a significant degree. Our children deserve a good public education. Implementing this proposal will help to achieve this endeavor.^55 The only

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52. Dirks, 463 U.S. 646 (1983). The U.S. Supreme Court held that Dirks did not engage in illegal tipping under § 10(b) of the Securities Exchange Act. Id. For discussion on insider trading, see Marc I. Steinberg & William K. S. Wang, Insider Trading (3d ed. 2010).


55. In this regard, the “Fair Funds” provision enacted pursuant to the Sarbanes-Oxley Act provides a comparison. Sarbanes-Oxley Act of 2002 § 308(a), Pub. L. No. 107-204, 116 Stat. 745 (2002) (codified in
unresolved question is the magnitude of the funds generated. We do not
know whether the monetary amounts placed into the Education Fund will
make a critical difference. Given our current plight, it is a venture worthy
of implementation.

It is fitting that this proposal is developed here in the Washburn Law
Journal. After all, Topeka is the home of Brown v. Board of Education. That
decision, of course, opened avenues of opportunity for all American
children. We must not sit idly by engaging in barbs against teachers to justify
cutbacks in our public schools. We must be proactive to uncover needed
sources of revenue. After all, children are America’s greatest asset. We must
do whatever we practically can to successfully educate our children in our
public schools. It is time for the “blue sky” laws to be invoked for another
admirable endeavor—to bring “blue sky” to our public classrooms and
schools.

enforcement actions may be directed to a fund to help compensate aggrieved investors. See Official Commit-
tee of Unsecured Creditors of WorldCom, Inc. v. SEC, 467 F.3d 73, 83–84 (2d Cir. 2006) (pursuant to the
Fair Funds provision, affirming SEC’s plan to distribute $750 million to WorldCom investors); see also Ver-

56. As discussed earlier in this Essay, funds derived from penalties and fines levied upon violators of
other state statutes, such as those focused on consumer and tax fraud, also may be directed to that state’s edu-
cation fund.

57. 347 U.S. 483 (1954). Today the school that was one of four schools represented in that lawsuit is
still standing as a national historic site in Topeka, Kansas, the home city of Washburn University School of
visited June 25, 2011).