

HOUSE BILL REPORT

ESB 6221

As Passed House - Amended:

February 28, 2010

Title: An act relating to the clarifying and expanding participation in the Washington state local government investment pool.

Brief Description: Concerning clarification and expansion of eligibility to use the state's local government investment pool.

Sponsors: Senator Fairley; by request of State Treasurer.

Brief History:

Committee Activity:

State Government & Tribal Affairs: 2/18/10, 2/23/10 [DPA].

Floor Activity:

Passed House: 2/28/10, 65-31.

Brief Summary of Engrossed Bill (As Amended by House)

- Expands the number and type of entities that may participate in the Local Government Investment Pool.

HOUSE COMMITTEE ON STATE GOVERNMENT & TRIBAL AFFAIRS

Majority Report: Do pass as amended. Signed by 5 members: Representatives Hunt, Chair; Appleton, Vice Chair; Flannigan, Hurst and Miloscia.

Minority Report: Do not pass. Signed by 3 members: Representatives Armstrong, Ranking Minority Member; Alexander and Taylor.

Staff: Pam Madson (786-7111).

Background:

The State Treasurer is responsible for the management and investment of surplus cash in the state treasury and in nontreasury accounts in the custody of the State Treasurer. Other public

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funds not under this management authority include moneys held by local governments and state agency accounts outside of the state treasury.

The Local Government Investment Pool (LGIP) was established in 1986 as a voluntary tool local governments can use for investing their funds while maintaining liquidity to meet cash flow needs. Since then institutions of higher education, and state funds that are the proceeds of bonds and other indebtedness authorized by the State Finance Committee, have been added as eligible participants.

Participants in the LGIP include all counties, all cities with a population over 10,000, 232 cities and towns, 154 special taxing districts, and 30 community colleges and universities. The size of the investment pool varies but is in the range of \$7 to \$8 billion. The State Treasurer's Office administers the pool and is authorized to recoup expenses incurred by the office.

Summary of Amended Bill:

The entities eligible to participate in the LGIP are expanded to include:

- qualifying federally recognized tribes or subdivisions;
- quasi-municipal corporations;
- public corporations;
- instrumentalities of governmental entities created under the Interlocal Cooperation Act;
- any agency of state government; and
- an entity issuing or executing bonds or certificates of participation respecting financing contracts approved by the State Finance Committee.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Amended Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) The Senate bill contains a provision that allows school district officers to direct some of their own investments. This provision should be removed. It will cause confusion among the 295 school districts and their 39 county treasurers that act as their treasurer. This can cause branching in the management of these funds and can affect these relationships. Legislation passed last year that addressed the costs associated with the management of school district funds. Actions have been taken under that legislation addressing some of the concerns raised by school districts. This is an important bill providing an opportunity for governmental entities to get safe, secure investments. This is an important tool to county treasurers. Money can be moved in and out daily. This is a very liquid investment. Treasurers are the designated treasurer for the school districts and school district funds are invested in the LGIP.

(Opposed) None.

Persons Testifying: Wolf Opitz, Washington State Treasurer's Office; and Rose Bowman, Washington State Association of County Treasurers.

Persons Signed In To Testify But Not Testifying: None.