

SENATE BILL REPORT

ESSB 5828

As Passed Senate, March 10, 2009

Title: An act relating to authorizing certain school districts and educational service districts to designate a district treasurer.

Brief Description: Authorizing certain school districts and educational service districts to designate a district treasurer.

Sponsors: Senate Committee on Early Learning & K-12 Education (originally sponsored by Senators Jarrett, McAuliffe, Tom and Hobbs).

Brief History:

Committee Activity: Early Learning & K-12 Education: 2/19/09, 2/25/09 [DPS].
Passed Senate: 3/10/09, 43-4.

SENATE COMMITTEE ON EARLY LEARNING & K-12 EDUCATION

Majority Report: That Substitute Senate Bill No. 5828 be substituted therefor, and the substitute bill do pass.

Signed by Senators McAuliffe, Chair; Kauffman, Vice Chair, Early Learning; Oemig, Vice Chair, K-12; King, Ranking Minority Member; Brandland, Hobbs, Holmquist, Jarrett, McDermott, Roach and Tom.

Staff: Kimberly Cushing (786-7421)

Background: Under current Washington law, only county treasurers can manage and invest the various funds used by school districts and educational service districts (ESDs). The duties of a treasurer include receiving and depositing all funds, issuing and paying warrants and checks, making investments, keeping records of all withdrawals and deposits, and issuing statements. School districts and ESDs pay county treasurers an amount set by the county to serve as the ex officio treasurer of the district.

There are 23 school districts with enrollment over 10,000 located in counties with a population over 400,000.

Summary of Engrossed Substitute Bill: The board of directors of any school district with enrollment of 10,000 or more full-time equivalent students and located in a county where the county treasurer is not elected by the voters is authorized to designate a district treasurer.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

The district treasurer acts with the same powers under current law as the county treasurer acting as ex officio treasurer for the district.

A district treasurer can be (1) an employee of the school district or (2) some other person having experience in financial or fiscal matters, including an employee of another school district or an ESD who serves through interlocal agreement on behalf of the school district.

A district treasurer must be bonded in an amount and under terms that the board of directors finds will protect the district against loss, but for not less than \$25,000. The school board of a district that designates its own district treasurer is authorized to adopt a policy to pay financial obligations by warrant or check as long as the fund is solvent at the time the check is issued. A district treasurer can delegate to a private sector or other external advisor the authority to manage investments on behalf of the district, as long as this is consistent with applicable laws and an investment policy approved by the district board of directors.

The board of directors of any ESD that provides services to school districts in counties that do not elect their county treasurer is authorized to designate an employee of the ESD or some other person with experience in financial matters to serve as the ESD district treasurer. The ESD district treasurer may also act as a district treasurer on behalf of an eligible school district. An ESD district treasurer must be bonded in an amount and under terms that the ESD board finds will protect the ESD or school district against loss, but for not less than \$25,000. An ESD designating its own district treasurer or acting on behalf of a school district is authorized to adopt a policy to pay financial obligations by warrant or check as long as the fund is solvent at the time the check is issued. An ESD district treasurer can delegate to a private sector or other external advisor the authority to manage investments on behalf of the district, as long as this is consistent with applicable laws and an investment policy approved by the district or ESD board of directors.

District treasurers are held harmless for loss of investments or default on the part of a public depository when the investments are lawfully made. School boards and ESD boards of directors are authorized to adopt a policy to indemnify their employees or the employees of another public agency serving as an external investment advisor who are lawfully performing the duties of a district treasurer.

Changes are made throughout the statutes pertaining to school districts and ESDs to include reference to district treasurers.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: School districts are capable of carrying out the treasury function; they have sophisticated and capable staff. This bill gives districts an option to chose the best available package. Investment risks are not increased, because a

district treasurer must still comply with the law. This bill provides flexibility for certain school districts and ESDs. School districts will likely stay with the local county treasurer if that is most cost-effective.

CON: This would result in duplication of services and increased costs. Districts will spend money on administrative costs that should be spent in classrooms. County treasurers provide many services to school districts, as well as other districts, such as fire and special purpose, at no cost. Districts do not have employees with specialized investment expertise. Allowing districts to contract with private entities for investments is troubling. Public money should require public oversight. This issue is about nonelected county treasurers, and only affects one or two counties. There are better ways to address this issue such as through interlocal agreements between counties and school districts.

Persons Testifying: PRO: Senator Jarrett, prime sponsor; John Rose, King County Investment Pool Advisory Panel; Jake Kuper, Issaquah School District; Mitch Denning, Alliance of Education Association.

CON: Rose Bowman, Lewis County Treasurer and Washington State Association of County Treasurers; Barbara Stephenson, Kitsap County Treasurer; Doug Lasher, Clark County Treasurer; Ken Guy, King County.