
Local Government Committee

HB 2593

Brief Description: Revising local government treasury practices and procedures.

Sponsors: Representatives Stonier, Harris, Wylie, Ryu, Fey and Pike.

Brief Summary of Bill

- Requires the county treasurer to keep "public funds," as that term is defined in statute, in his or her possession until disbursed according to law.
- Requires at least 24 hours of continuing education annually for the following persons: (1) a county treasurer who performs daily investment activities of an investment pool; or (2) any person who is authorized by the county treasurer to manage the investment pool.
- Modifies provisions related to transaction processing costs that may be charged to persons who make payments to county treasurers via electronic forms of payment.
- Incorporates certain provisions into a statute relating to issuance by a local government of duplicate warrants, bonds, or other instruments or evidence of indebtedness when one is lost or destroyed.

Hearing Date: 1/30/14

Staff: Michaela Murdock (786-7289).

Background:

County Treasurers.

County treasurers are the custodian of county money and the administrator of the county's financial transactions, and may also provide financial services to special purpose districts and other units of local government. County treasurers have many statutorily enumerated duties, which include receiving and disbursing money, issuing receipts for money received, and maintaining financial records reflecting receipts and disbursements.

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.

County treasurers are required by statute to keep all money belonging to the state or counties in their possession until it is disbursed according to law. County treasurers may deposit such money into any regularly designated, qualified public depository (*i.e.*, a financial institution designated as a depository for public funds by the county treasurer and qualified as a public depository by the Public Deposit Protection Commission).

Public Funds.

The term "public funds" is defined by applicable statute as money under the control of a county treasurer, the State Treasurer, or custodian, which belongs to or is held for the benefit of the state or any of its political subdivisions, public corporations, municipal corporations, agencies, courts, boards, commissions, or committees. It also includes money that is held as trustee, agent, or bailee. All public funds deposited in public depositories, including investment deposits and accrued interest, are protected against loss by statute.

County Treasurers - Electronic Payments.

In receiving money due the county, county treasurers may accept the following forms of electronic payment: credit cards, charge cards, debit cards, smart cards, stored value cards, federal wire, automatic clearinghouse system transactions, or other electronic communication. Such forms of payment may be accepted for any kind of payment to the county treasurer, including taxes, fines, interest, penalties, special assessments, fees, rates, charges, or other monies due.

A payer using an electronic form of payment bears the cost of processing the transaction. The amount of the cost is determined and charged by the county treasurer, unless a county or district legislative authority finds that it is in the best interests of the county or district not to charge the transaction processing cost for all payment transactions made for a specific category of nontax payments (*e.g.*, fines, nontax interest, nontax penalties, special assessments, fees, rates, and charges). The county treasurer's cost determination must be based upon costs incurred by the treasurer and may not exceed the additional direct costs incurred by the county to accept the specific form of payment utilized by the payer.

County Treasurers - Investments.

County treasurers are required by statute to invest all funds of the county or any special purpose district, which are in their custody and not needed for immediate expenditure. A municipal corporation may also authorize a county treasurer to invest any of its funds that are not required for immediate expenditure and are in the custody of either the county treasurer or the treasurer of the municipal corporation. Investments may be made in, among other things: savings or time accounts in designated, qualified public depositories; federal certificates, notes, or bonds; or other obligations of the federal government, its agencies, or its wholly-owned corporations.

County Investment Pools.

Upon the request of one or more local governments that invest their money with the county, the county treasurer may combine the funds of the requesting local governments into an investment pool. For investment pool expenses, the county treasurer may deduct amounts necessary to: (1) reimburse the county treasurer's office for actual expenses incurred; and (2) repay any county funds spent on the initial administrative costs of establishing the investment pool.

In deducting amounts to defray costs, "actual expenses" include only the county treasurer's direct, out-of-pocket costs. They do not include indirect or loss of opportunity costs. Also, "direct costs" means those costs that can be identified specifically with the administration of the county investment pool.

Local Governments - Lost or Destroyed Evidence of Indebtedness.

When a warrant, bond, or any other instrument or evidence of indebtedness issued by a local government (*i.e.*, a county, city, town, district, or political subdivision or municipal corporation of the state), or any department or agency of the local government, is lost or destroyed, a duplicate may be issued. A duplicate instrument for local governments must be issued in the same manner as duplicate state instruments, except in specified circumstances, and they are subject in all other respects to the same provisions of law as the original instruments.

Duplicate instruments must bear the same number, class, or designation as the original and must be for the same amount; however, the word duplicate must appear plainly on the face of the new instrument. Before a duplicate instrument is issued, the county treasurer or other issuing officer must require the person requesting the duplicate to file a written, sworn affidavit. The affidavit must contain: the original instrument's date of issue; the number, amount, and purpose of the original instrument; a statement that the original has been lost or destroyed, and that it has not been paid or has not been received by the person making the affidavit.

Summary of Bill:

Public Funds.

In addition to all money belonging to the state or any county, county treasurers are required to keep public funds, as that term is defined in applicable statute, in their possession until disbursed according to law.

County Investment Pools.

Continuing education requirements are created for county treasurers and persons authorized by the county treasurer to manage county investment pools. In order to perform the daily investment activities of an investment pool, the county treasurer and persons authorized by the county treasurer must obtain at least 24 hours of continuing education on investing, eight hours of which must relate to fixed income investing.

The continuing educational requirements may be met by: (1) attending programs sponsored by the Chartered Financial Analyst Institute, if an employee holds a designation from the organization; or (2) completing other investment-related courses or training as specified.

County Treasurers - Electronic Payments.

A requirement that payers using electronic forms of payment must bear the transaction processing cost for payments of any kind that they make to a county treasurer (*e.g.*, payments for taxes, fines, interest, penalties, special assessments, fees, rates, charges, or other monies due the county) is amended. Now, such payers are required to bear the processing transaction cost only for payments they make to a county treasurer for taxes and for interest and penalties associated with taxes. In determining the amount to be charged payers for transaction processing costs, the amount must be based on costs incurred by the county treasurer and may not exceed the direct costs.

Also, county treasurers are authorized to absorb within their banking services budget any fee associated with payments made for taxes and interest and penalties associated with taxes that are paid using an automatic clearinghouse system, federal wire, or other electronic communication.

A county or district legislative authority may find that it is in the best interests of the county or district not to charge transaction processing costs for a specific category of nontax payments received by the county treasurer. If such a finding is made, a county treasurer may choose not to charge those transaction processing costs.

If a county treasurer elects not to charge transaction processing costs for a specific category of nontax payments, interest or penalties associated with such transactions may, but are not required to be, absorbed by the county department or taxing district assessing the payment transactions.

Local Governments - Lost or Destroyed Evidence of Indebtedness.

Provisions, which were previously only referenced by their Revised Code of Washington citation, are incorporated into a statute that governs the issuance by local governments of duplicate instruments. The incorporated provisions relate to requirements for the form and content of issued duplicates and sworn affidavits made by persons applying for duplicate instruments.

Appropriation: None.

Fiscal Note: Requested on January 28, 2014.

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