

HOUSE BILL REPORT

HB 2593

As Reported by House Committee On:
Local Government

Title: An act relating to local government treasury practices and procedures.

Brief Description: Revising local government treasury practices and procedures.

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

Brief History:

Committee Activity:

Local Government: 1/30/14, 2/3/14 [DPS].

Brief Summary of Substitute Bill

- Modifies provisions relating to a county treasurer's authority to accept electronic payments and charge transaction processing costs, such as by authorizing county treasurers to absorb any fees associated with electronic payments for taxes, and interest and penalties associated with taxes.
- Defines the terms "electronic payment," "nontax payment," and "transaction processing cost."
- Incorporates provisions, previously only referenced by their Revised Code of Washington citations, into a statute that governs county issuance of duplicate instruments evidencing indebtedness when one is lost or destroyed.

HOUSE COMMITTEE ON LOCAL GOVERNMENT

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 8 members: Representatives Takko, Chair; Gregerson, Vice Chair; Overstreet, Ranking Minority Member; Kochmar, Assistant Ranking Minority Member; Farrell, Fitzgibbon, Pike and Springer.

Minority Report: Do not pass. Signed by 1 member: Representative Taylor.

Staff: Michaela Murdock (786-7289).

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.

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.

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).

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.

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 Substitute Bill:

County Treasurers - Electronic Payments.

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

When a county or district legislative authority finds 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, the county treasurer now has the option of not charging those transaction processing costs, rather than being required to not charge them.

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.

The terms "electronic payment," "nontax payment," and "transaction processing cost" are defined.

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 for sworn affidavits made by persons applying for duplicate instruments.

Substitute Bill Compared to Original Bill:

The substitute bill removes two sections from the underlying bill that: (1) requires county treasurers to keep public funds, in addition to all money belonging to the state or any county, in their possession until disbursed according to law; and (2) creates annual continuing education requirements for county treasurers who perform daily investment activities of an investment pool and persons authorized by the county treasurer to manage investment pools.

The substitute bill also makes grammatical and structural revisions to provisions amended by the underlying bill related to county treasurers' authority to accept electronic payments and to charge transaction processing costs to persons who make payments electronically. Additionally, it eliminates a change made by the underlying bill that requires payers to bear the transaction processing costs for electronic payments only for payments made to a county treasurer for taxes, and tax-associated interest and penalties, rather than for payments of any

kind as currently provided in statute. Furthermore, it defines the terms "electronic payment," "nontax payment," and "transaction processing cost."

Appropriation: None.

Fiscal Note: Requested on January 28, 2014.

Effective Date of Substitute 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) This bill was requested by a county treasurer. It will update the county treasurer statutes to reflect current treasury and banking practices, and will provide for improved efficiencies in tax payment collection and fraud protection. The bill should not have a fiscal impact. Additionally, if a county treasurer takes advantage of the option of promoting electronic bills and payments, costs associated with printing and mailing statements should be reduced. Internet sales have gone up in recent years, and people have gotten used to transacting business electronically.

(Opposed) None.

Persons Testifying: Representative Stonier, prime sponsor; and Doug Lasher, Clark County Treasurer's Office.

Persons Signed In To Testify But Not Testifying: None.