

HOUSE BILL REPORT

HB 1183

As Reported By House Committee On:

State Government

Title: An act relating to the state treasurer negotiating state-wide custody contracts.

Brief Description: Negotiating state-wide custody contracts.

Sponsors: Representatives H. Sommers, Huff, Romero, McMorris, McIntire and Esser;
by request of State Treasurer.

Brief History:

Committee Activity:

State Government: 1/29/99, 2/9/99 [DPS].

Brief Summary of Substitute Bill

- Allows the State Treasurer to negotiate a contract for custodial banking services on investments that any local government or institution of higher education may, at its option, choose to use.

HOUSE COMMITTEE ON STATE GOVERNMENT

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 8 members: Representatives McMorris, Republican Co-Chair; Romero, Democratic Co-Chair; Campbell, Republican Vice Chair; Miloscia, Democratic Vice Chair; Dunshee; Haigh; Lambert and Schmidt.

Staff: Steve Lundin (786-7127).

Background:

Local governments are authorized to invest their moneys in a variety of investments. All local governments may deposit their money into savings accounts, time accounts, or money market deposit accounts of designated public depositories. A public depository is a financial institution designated by the Washington Public Depository Commission that accepts public deposits of moneys and is required to segregate a certain amount of securities apart from its other assets as security for the public moneys on deposit. The

Washington Public Depository Commission is the same as the State Finance Committee, which is composed of the State Treasurer, Lieutenant Governor, and Governor.

In addition, local governments are allowed to invest their moneys in a variety of securities, including federal securities or other obligations of federal agencies, bankers acceptances purchased on the secondary market, federal home loan bank securities, and federal land bank securities.

The State Treasurer acts as the treasurer for public moneys provided to institutions of higher education. However, each four-year institution of higher education has direct control over other moneys provided to the institution, such as grants and bequests, as well as tuition fees, and may invest these moneys.

Summary of Substitute Bill:

Commencing on September 1, 1999, the State Treasurer may negotiate a statewide custody contract to provide custodial banking services on investments made by local governments and institutions of higher education. Custodial banking services are services for the settlement, safekeeping, valuation, and market-value reporting of negotiable instruments owned by a local government or institution of higher education. The contract must last for a period of at least four years. If a new statewide custodian is designated, the State Treasurer is authorized to adopt rules to ensure the orderly transition from the prior custodian to the new custodian.

Any local government or institution of higher education may, at its option, become a signatory to the statewide contract for custody services, which is a contract between the participating local governments or institution of higher education and the statewide custodian, and utilize the custodial banking services of the statewide custodian.

Substitute Bill Compared to Original Bill:

The Public Depository Commission may adopt rules exempting custodial services provided by a public depository from the normal rules governing the operation of a public depository, rather than automatically exempting the custodial services from these rules.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date of Substitute Bill: This bill takes effect September 1, 1999

Testimony For: (Original bill) Securities need to be held by a third party. This bill allows the State Treasurer to negotiate the contract which any local government may choose, at its option, to become a party to and use the custodial services. Considerable savings could result. This is a wonderful compliment to other services the Treasurer provides to smaller municipalities.

Testimony Against: (Original Bill) None.

Testified: Gayla Gjertsen, City of Tumwater; Robin L. Hunt, Washington Association of County Treasurers; and Mike Murphy, Office of the State Treasurer