

HOUSE BILL REPORT

SSB 5248

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: Senate Committee on Commerce, Trade, Housing & Financial Institutions (originally sponsored by Senators Loveland, Patterson, Snyder, Bauer, McCaslin and Winsley; by request of State Treasurer).

Brief History:

Committee Activity:

State Government: 3/26/99, 4/2/99 [DP].

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 own option, choose to use.

HOUSE COMMITTEE ON STATE GOVERNMENT

Majority Report: 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 D. 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 with a financial institution 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 implement these provisions.

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.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect on September 1, 1999.

Testimony For: This will allow smaller local governments to save money by paying lower custodial fees. This is good government legislation. This is optional.

Testimony Against: None.

Testified: Senator Loveland, prime sponsor; and Michael J. Murphy, Office of the State Treasurer.