

SENATE BILL REPORT

SB 5248

As Reported By Senate Committee On:
Commerce, Trade, Housing & Financial Institutions, February 4, 1999

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

Brief Description: Negotiating state-wide custody contracts.

Sponsors: Senators Loveland, Patterson, Snyder, Bauer, McCaslin and Winsley; by request of State Treasurer.

Brief History:

Committee Activity: Commerce, Trade, Housing & Financial Institutions: 1/28/99, 2/4/99 [DPS].

SENATE COMMITTEE ON COMMERCE, TRADE, HOUSING & FINANCIAL INSTITUTIONS

Majority Report: That Substitute Senate Bill No. 5248 be substituted therefor, and the substitute bill do pass.

Signed by Senators Prentice, Chair; Shin, Vice Chair; Benton, Deccio, Gardner, Hale, Rasmussen, T. Sheldon, West and Winsley.

Staff: Catherine Mele (786-7470)

Background: Local governments enter into contracts with financial institutions for custody services. The custodian financial institution assures delivery of newly purchased securities before releasing monies for those securities. In addition, the custodian holds the securities and provides other valuation and reporting services during the period when the local government owns the securities. Currently, each local government negotiates its own custody contract. Concerns exist that larger local governments receive better rates and terms for custody services than smaller local governments who do not have the same volume of business.

Summary of Substitute Bill: The State Treasurer is authorized to negotiate a statewide custody contract for local government custody services. The contract minimum is four years. Each local government has the option of signing onto the contract. The local government is responsible for understanding the terms of the contract and ensuring proper execution of the contract terms. The Treasurer is authorized to adopt rules regarding a statewide custody contract.

Substitute Bill Compared to Original Bill: The Treasurer is given rule-making authority to implement the statewide custody contract. The substitute adds a definition of financial institution to assure that only state or federally regulated financial institutions become custodians.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: Many times custodian banks charge smaller local governments expensive fees for services because smaller local governments do not have large volumes of business with the custodian bank. This bill allows local governments to collectively obtain the best rates and terms for custody services regardless of the size of the government. If we have a single statewide contract, taxpayers in smaller jurisdictions pay the same for services that taxpayers pay in larger jurisdictions. Since participating in the statewide contract is optional, larger governments are not forced to participate and may continue negotiating their own contracts.

Testimony Against: None.

Testified: PRO: Mike Murphy, State Treasurer; Rose Bowman, WA State Assn. of County Treasurers; James Scovil, City of Vancouver.