

SENATE BILL REPORT

ESHB 1058

AS REPORTED BY COMMITTEE ON WAYS & MEANS, APRIL 15, 1991

Brief Description: Reorganizing treasurer-managed funds and accounts.

SPONSORS: House Committee on Revenue (originally sponsored by Representatives Wang, Holland and Fraser; by request of State Treasurer and Office of Financial Management).

HOUSE COMMITTEE ON REVENUE

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.

Signed by Senators McDonald, Chairman; Craswell, Vice Chairman; Bailey, Bluechel, Cantu, Hayner, Johnson, Matson, Metcalf, Newhouse, Saling, and West.

Staff: Denise Graham (786-7715)

Hearing Dates: April 15, 1991

BACKGROUND:

The Treasurer's office manages over 300 funds and accounts, some of which are inactive. The disposition of interest income earned by these funds and accounts varies considerably. The majority of accounts retain 80 percent of their interest earnings and pay 20 percent to the general fund-state. Some of the remaining accounts keep all of their interest earnings, while the rest retain no interest earnings.

Interest earnings from approximately 40 trust and treasury funds are deposited in the State Treasurer's Service Fund to cover the administrative expenses of the Treasurer's office. Nothing is deducted from the remaining funds and accounts to compensate the Treasurer for the expense of managing each account.

SUMMARY:

The distribution of interest earnings is changed such that interest earnings from the majority of funds and accounts are deposited in the general fund-state. With two exceptions, the only accounts retaining their interest earnings are those accounts:

1. Subject to a contractual agreement that all revenues in the account are to be spent for a specific purpose;
2. The income of which is derived from trust lands originally granted at statehood;

3. The revenues of which are collected by the state and are subsequently distributed to local governments; and
4. The revenues of which are derived from state employee contributions to retirement and workers' compensation programs.

Two other accounts that retain their interest earnings are the University of Washington self-insurance revolving account and the American Indian scholarship endowment account.

A new method for funding administrative expenses is to be established by the Treasurer. The Treasurer's office is to determine the percentage of total interest earnings needed to fund its biennial budget appropriation. This percentage is to be deducted from the interest earnings of each fund or account, including the funds and accounts that will retain their interest earnings as described above, and deposited in the State Treasurer's Service Fund to be used for administrative expenses. The percentage may not exceed 1.0 percent of the average daily cash balance of any account or fund.

Appropriation: none

Revenue: yes

Fiscal Note: requested

Effective Date: July 1, 1991

SUMMARY OF PROPOSED SENATE AMENDMENT:

The amendment exempts the interest earnings of additional funds and accounts from accruing to the general fund-state. The additional accounts are transportation related accounts, the basic health plan trust, and the drug enforcement and education account.

TESTIMONY FOR: None

TESTIMONY AGAINST:

The interest earnings from additional natural resource accounts need to be exempted from accruing to the general fund-state.

TESTIFIED: Nick Handy, Department of Natural Resources (con)