

# HOUSE BILL REPORT

## HB 1971

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**As Reported by House Committee On:**  
Education

**Title:** An act relating to authorizing certain school districts and educational service districts to designate a district treasurer.

**Brief Description:** Authorizing certain school districts and educational service districts to designate a district treasurer.

**Sponsors:** Representatives Hunter, Carlyle, Eddy, Priest, Maxwell, Ericks and Sullivan.

**Brief History:**

**Committee Activity:**

Education: 2/11/09, 2/20/09 [DPS].

**Brief Summary of Substitute Bill**

- Authorizes boards of Educational Service Districts (ESDs) and school districts with 10,000 or more students and in counties with one million or more people to designate a District Treasurer to act with the same powers and under the same restrictions as the County Treasurer acting as ex officio treasurer for the district.
- Allows a District Treasurer to be an employee of a school district or an ESD, or another person with experience in financial matters.
- Authorizes an ESD or school district acting as a District Treasurer to adopt a policy to pay financial obligations by warrant or check and to indemnify employees when they are lawfully carrying out the duties of treasurer.
- Allows a District Treasurer to delegate management of investments of the district, subject to an investment policy approved by the board of directors.

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### HOUSE COMMITTEE ON EDUCATION

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 10 members: Representatives Quall, Chair; Probst, Vice Chair; Priest, Ranking Minority Member; Hope, Assistant Ranking Minority Member; Cox, Dammeier, Lias, Maxwell, Orwall and Sullivan.

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*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.*

**Minority Report:** Do not pass. Signed by 3 members: Representatives Hunt, Johnson and Santos.

**Staff:** Barbara McLain (786-7383)

**Background:**

With limited exceptions, the County Treasurer serves as the ex officio treasurer for all special purpose districts in the county, including school districts and Educational Service Districts (ESDs). The duties of a treasurer include receiving and depositing all funds, issuing and paying warrants and checks, making investments, keeping records of all withdrawals and deposits, and issuing statements. Essentially, the County Treasurer is the bank for the districts.

County Treasurers are authorized to make investment decisions for funds under their management within options specified by law. The level of services available from the County Treasurer and the charges for those services vary by county. County Treasurers operate in different ways and have different amounts of funds to manage. Under current law, funds that are not immediately required by a district for expenditure or investment are invested by the County Treasurer and the earnings deposited in the General Fund of the county. Some counties operate investment pools for multiple special purpose districts and are authorized to charge for the actual expense of administering the pool. Another statute provides for a transaction fee to be paid to the County Treasurer based on investment earnings.

Some special purpose districts, including public utility districts and large port districts, are authorized to designate some other person with experience in financial matters to serve as treasurer for the district. The treasurer must be bonded to protect the district against loss. These districts are expressly authorized to adopt a policy to pay financial obligations by warrant or check as long as the fund is solvent at the time the check is issued.

There are 30 school districts with enrollment of 10,000 or more full-time equivalent students. Of these, 10 school districts are located in a county with a population of one million or more. There are nine ESDs.

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**Summary of Substitute Bill:**

The board of directors of any school district with enrollment of 10,000 or more full-time equivalent students and located in a county with a population of one million or more is authorized to designate a District Treasurer. The District Treasurer acts with the same powers under current law as the County Treasurer acting as ex officio treasurer for the district.

A District Treasurer can be:

- an employee of the school district;

- an employee of another school district or an Educational Service District that serves through interlocal agreement as the District Treasurer on behalf of the school district; or
- another person having experience in financial and fiscal matters.

A District Treasurer must be bonded in an amount and under terms that the board of directors finds will protect the district against loss, but for not less than \$25,000. The school board of a district that designates its own District Treasurer is authorized to adopt a policy to pay financial obligations by warrant or check as long as the fund is solvent at the time the check is issued. A District Treasurer can delegate to a private sector or other external advisor the authority to manage investments on behalf of the district, as long as this is consistent with applicable laws and an investment policy approved by the district board of directors.

Each ESD board of directors is authorized to designate an employee as the ESD District Treasurer; designate some other person with experience in financial matters to serve as the ESD District Treasurer; or by interlocal agreement, act as a District Treasurer on behalf of an eligible school district. An ESD District Treasurer must be bonded in an amount and under terms that the ESD board finds will protect the ESD or school district against loss, but for not less than \$25,000. An ESD designating its own District Treasurer or acting on behalf of a school district is authorized to adopt a policy to pay financial obligations by warrant or check as long as the fund is solvent at the time the check is issued. An ESD District Treasurer can delegate to a private sector or other external advisor the authority to manage investments on behalf of the district, as long as this is consistent with applicable laws and an investment policy approved by the district or ESD board of directors.

District Treasurers are held harmless for loss of investments or default on the part of a public depository when the investments are lawfully made. School boards and ESD boards of directors are authorized to adopt a policy to indemnify their employees or the employees of another public agency serving as an external investment advisor who are lawfully performing the duties of a District Treasurer.

Changes are made throughout the statutes pertaining to school districts and ESDs to include reference to District Treasurers.

**Substitute Bill Compared to Original Bill:**

The substitute bill applies to large school districts in counties with a population of one million or more people, rather than a population of 400,000 or more.

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**Appropriation:** None.

**Fiscal Note:** Available.

**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) Large school districts in large counties are financially sophisticated, but are still required to use the County Treasurer to manage their finances. King County charges five times in basis points what it costs the county to manage these funds. The County is making a profit on school districts, in part because they have a monopoly and the districts cannot negotiate with a monopoly. If a very small town can manage its own finances, a large school district is certainly capable of doing so. This provides an option; no district is required to find its own treasurer. King County overcharges, under-invests, provides low quality service, and has poor investment performance. Competition would be good for other counties also. The bill applies only to very large school districts with significant budgets and financial systems. Without the large fees, the funds can go back into providing educational services. This is not unusual; other local governments have this authority.

(Oppose) King County provides services beyond what other counties provide, and does not charge for many of them. The characterizations of the fee structure and basis points are inaccurate. If this bill is adopted, it will result in a duplication of services between school districts and the county. The basis of the bill is a contractual dispute. The parties should be able to negotiate a settlement. County Treasurers are officers of government and act as far more than just banks. They invest and manage funds for the safety of the funds and on behalf of other local governments. There is great concern with the provisions allowing a district to hand over its funds to a private investment firm concerned only with profit. There is other legislation to address the issue of fees charged against the county investment pool. That legislation should solve the problem without duplicating services.

**Persons Testifying:** (In support) Representative Hunter, prime sponsor; John Rose, Town of Beaux Arts; and Martin Turney, Issaquah School District.

(Opposed) Scott Matheson, King County Treasury; Rose Bowman, Lewis County Treasurer; Barbara Stephens, Kitsap County Treasurer; and Doug Lasher, Clark County Treasurer.

**Persons Signed In To Testify But Not Testifying:** None.