

CERTIFICATION OF ENROLLMENT

ENGROSSED SENATE BILL 6349

Chapter 152, Laws of 2016

64th Legislature
2016 Regular Session

PUBLIC FUNDS, DEPOSITS, AND INVESTMENTS

EFFECTIVE DATE: 6/9/2016

Passed by the Senate March 9, 2016
Yeas 49 Nays 0

BRAD OWEN

President of the Senate

Passed by the House March 4, 2016
Yeas 93 Nays 4

FRANK CHOPP

Speaker of the House of Representatives

Approved March 31, 2016 4:57 PM

JAY INSLEE

Governor of the State of Washington

CERTIFICATE

I, Hunter G. Goodman, Secretary of the Senate of the State of Washington, do hereby certify that the attached is **ENGROSSED SENATE BILL 6349** as passed by Senate and the House of Representatives on the dates hereon set forth.

HUNTER G. GOODMAN

Secretary

FILED

April 1, 2016

**Secretary of State
State of Washington**

ENGROSSED SENATE BILL 6349

AS AMENDED BY THE HOUSE

Passed Legislature - 2016 Regular Session

State of Washington 64th Legislature 2016 Regular Session

By Senators Benton and Mullet; by request of State Treasurer

Read first time 01/18/16. Referred to Committee on Financial
Institutions & Insurance.

1 AN ACT Relating to public funds and deposits; amending RCW
2 39.58.010, 39.58.050, 39.58.105, 39.58.108, 39.58.135, 39.58.155,
3 28B.07.040, 39.59.010, 39.59.020, 39.60.010, 39.60.020, 39.60.030,
4 39.60.040, 39.60.050, and 43.84.080; reenacting and amending RCW
5 43.250.020; adding a new section to chapter 39.59 RCW; adding a new
6 section to chapter 28B.10 RCW; and repealing RCW 39.58.120,
7 39.58.045, 39.59.030, and 43.250.090.

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

9 **Sec. 1.** RCW 39.58.010 and 2009 c 9 s 1 are each amended to read
10 as follows:

11 In this chapter, unless the context otherwise requires:

12 (1) "Capitalization" means the measure or measures of
13 capitalization, other than net worth, of a depository applying for
14 designation as or operating as a public depository pursuant to this
15 chapter, based upon regulatory standards of financial institution
16 capitalization adopted by rule or resolution of the commission after
17 consultation with the director of the department of financial
18 institutions;

19 (2) "Collateral" means the particular assets pledged as security
20 to insure payment or performance of the obligations under this
21 chapter as enumerated in RCW 39.58.050;

1 (3) "Commission" means the Washington public deposit protection
2 commission created under RCW 39.58.030;

3 (4) "Commission report" means a formal accounting rendered by all
4 public depositaries to the commission in response to a demand for
5 specific information made by the commission detailing pertinent
6 affairs of each public depositary as of the close of business on a
7 specified date, which is the "commission report date." "Commission
8 report due date" is the last day for the timely filing of a
9 commission report;

10 (5) "Depositary pledge agreement" means a tripartite agreement
11 executed by the commission with a financial institution and its
12 designated trustee. Such agreement shall be approved by the directors
13 or the loan committee of the financial institution and shall
14 continuously be a record of the financial institution. New securities
15 may be pledged under this agreement in substitution of or in addition
16 to securities originally pledged without executing a new agreement;

17 (6) "Director of the department of financial institutions" means
18 the Washington state director of the department of financial
19 institutions;

20 (7) "Eligible collateral" means the securities ((which are)) or
21 letters of credit enumerated in RCW 39.58.050 (5) ((and)), (6) ((as

22 ~~eligible collateral for public deposits~~)), and (7);

23 (8) "Financial institution" means any national or state chartered
24 commercial bank or trust company, savings bank, or savings
25 association, or branch or branches thereof, located in this state and
26 lawfully engaged in business;

27 (9) "Investment deposits" means time deposits, money market
28 deposit accounts, and savings deposits of public funds available for
29 investment. "Investment deposits" do not include time deposits
30 represented by a transferable or a negotiable certificate,
31 instrument, passbook, or statement, or by book entry or otherwise;

32 (10) "Liquidity" means the measure or measures of liquidity of a
33 depositary applying for designation as or operating as a public
34 depositary pursuant to this chapter, based upon regulatory standards
35 of financial institution liquidity adopted by rule or resolution of
36 the commission after consultation with the director of the department
37 of financial institutions;

38 (11) "Loss" means the issuance of an order by a regulatory or
39 supervisory authority or a court of competent jurisdiction (a)

1 restraining a public depository from making payments of deposit
2 liabilities or (b) appointing a receiver for a public depository;

3 (12) "Maximum liability," with reference to a public depository's
4 liability under this chapter for loss per occurrence by another
5 public depository, on any given date means:

6 (a) A sum equal to ten percent of:

7 (i) All uninsured public deposits held by a public depository
8 that has not incurred a loss by the then most recent commission
9 report date; or

10 (ii) The average of the balances of said uninsured public
11 deposits on the last four immediately preceding reports required
12 pursuant to RCW 39.58.100, whichever amount is greater; or

13 (b) Such other sum or measure as the commission may from time to
14 time set by resolution according to criteria established by rule,
15 consistent with the commission's broad administrative discretion to
16 achieve the objective of RCW 39.58.020.

17 As long as the uninsured public deposits of a public depository
18 are one hundred percent collateralized by eligible collateral as
19 provided for in RCW 39.58.050, the "maximum liability" of a public
20 depository that has not incurred a loss may not exceed the amount set
21 forth in (a) of this subsection.

22 This definition of "maximum liability" does not limit the
23 authority of the commission to adjust the collateral requirements of
24 public depositories pursuant to RCW 39.58.040;

25 (13) "Net worth" of a public depository means (a) the equity
26 capital as reported to its primary regulatory authority on the
27 quarterly report of condition or statement of condition, or other
28 required report required by its primary regulatory authority or
29 federal deposit insurer, and may include capital notes and debentures
30 which are subordinate to the interests of depositors, or (b) equity
31 capital adjusted by rule or resolution of the commission after
32 consultation with the director of the department of financial
33 institutions;

34 (14) "Public deposit" means public funds on deposit with a public
35 depository;

36 (15) "Public depository" means a financial institution (~~which~~
37 ~~does not claim exemption from the payment of any sales or~~
38 ~~compensating use or ad valorem taxes under the laws of this state,~~
39 ~~which~~) that has been approved by the commission to hold public
40 deposits, (~~and which~~) has segregated, for the benefit of the

1 commission, eligible collateral having a value of not less than its
2 maximum liability, and, unless otherwise provided for in this
3 chapter, does not claim exemption from the payment of any sales or
4 compensating use or ad valorem taxes under the laws of this state;

5 (16) "Public funds" means moneys under the control of a
6 treasurer, the state treasurer, or custodian belonging to, or held
7 for the benefit of, the state or any of its political subdivisions,
8 public corporations, municipal corporations, agencies, courts,
9 boards, commissions, or committees, including moneys held as trustee,
10 agent, or bailee belonging to, or held for the benefit of, the state
11 or any of its political subdivisions, public corporations, municipal
12 corporations, agencies, courts, boards, commissions, or committees;

13 (17) "Public funds available for investment" means such public
14 funds as are in excess of the anticipated cash needs throughout the
15 duration of the contemplated investment period;

16 (18) "State public depository" means a Washington state-chartered
17 financial institution that is authorized as a public depository under
18 this chapter;

19 (19) "State treasurer" means the treasurer of the state of
20 Washington;

21 (20) "Treasurer" means a county treasurer, a city treasurer, a
22 treasurer of any other municipal corporation, and any other custodian
23 of public funds, except the state treasurer;

24 (21) "Trustee" means a third-party safekeeping agent which has
25 completed a depository pledge agreement with a public depository and
26 the commission. Such third-party safekeeping agent may be (~~the~~
27 ~~federal reserve bank of San Francisco, the~~) a federal home loan bank
28 (~~of Seattle~~), or such other third-party safekeeping agent approved
29 by the commission.

30 **Sec. 2.** RCW 39.58.050 and 2009 c 9 s 4 are each amended to read
31 as follows:

32 (1) Every public depository shall complete a depository pledge
33 agreement with the commission and a trustee, and shall at all times
34 maintain, segregated from its other assets, eligible collateral (~~in~~
35 ~~the form of securities enumerated in this section~~) having a value at
36 least equal to its maximum liability and as otherwise prescribed in
37 this chapter. (~~Such~~) Eligible securities used as collateral shall
38 be segregated by deposit with the depository's trustee and shall be

1 clearly designated as security for the benefit of public depositors
2 under this chapter.

3 (2) Securities eligible as collateral shall be valued at market
4 value, and the total market value of securities pledged in accordance
5 with this chapter shall not be reduced by withdrawal or substitution
6 of securities except by prior authorization, in writing, by the
7 commission.

8 (3) The public depository shall have the right to make
9 substitutions of an equal or greater amount of ~~((such collateral))~~
10 eligible securities at any time.

11 (4) The income from the securities which have been segregated as
12 collateral shall belong to the public depository without restriction.

13 (5) Each of the following enumerated classes of securities,
14 providing there has been no default in the payment of principal or
15 interest thereon, shall be eligible to qualify as collateral:

16 (a) Certificates, notes or bonds of the United States, or other
17 obligations of the United States or its agencies, or of any
18 corporation wholly owned by the government of the United States;

19 (b) State, county, municipal, or school district bonds or
20 warrants of taxing districts of the state of Washington or any other
21 state of the United States, provided that such bonds and warrants
22 shall be only those found to be within the limit of indebtedness
23 prescribed by law for the taxing district issuing them and to be
24 general obligations;

25 (c) The obligations of any United States government-sponsored
26 corporation whose obligations are or may become eligible as
27 collateral for advances to member banks as determined by the board of
28 governors of the federal reserve system;

29 (d) Bonds, notes, ~~((letters of credit,))~~ or other securities or
30 evidence of indebtedness constituting the direct and general
31 obligation of a federal home loan bank or federal reserve bank;

32 (e) Revenue bonds of this state or any authority, board,
33 commission, committee, or similar agency thereof, and any
34 municipality or taxing district of this state;

35 (f) Direct and general obligation bonds and warrants of any city,
36 town, county, school district, port district, or other political
37 subdivision of any state, having the power to levy general taxes,
38 which are payable from general ad valorem taxes;

39 (g) Bonds issued by public utility districts as authorized under
40 the provisions of Title 54 RCW, as now or hereafter amended;

1 (h) Bonds of any city of the state of Washington for the payment
2 of which the entire revenues of the city's water system, power and
3 light system, or both, less maintenance and operating costs, are
4 irrevocably pledged, even though such bonds are not general
5 obligations of such city.

6 (6) In addition to the securities enumerated in this section,
7 ~~((every))~~ the commission may also accept as collateral a letter of
8 credit from a federal home loan bank or a federal reserve bank on
9 behalf of a public depository, naming the commission as beneficiary.
10 Such letters are not subject to a completed depository pledge
11 agreement. As such, the commission must act as the safekeeping agent
12 for letters of credit.

13 (7) A public depository may also segregate such bonds,
14 securities, and other obligations as are designated to be authorized
15 security for public deposits under the laws of this state.

16 ~~((+7))~~ (8) The commission may determine by rule or resolution
17 whether any security, whether or not enumerated in this section, is
18 or shall remain eligible as collateral when in the commission's
19 judgment it is desirable or necessary to do so.

20 **Sec. 3.** RCW 39.58.105 and 2009 c 9 s 9 are each amended to read
21 as follows:

22 (1) The commission may require the state auditor or the director
23 of the department of financial institutions, to the extent of their
24 respective authority under applicable federal and Washington state
25 law, to thoroughly investigate and report to it concerning the
26 condition of any financial institution which makes application to
27 become a public depository, and may also as often as it deems
28 necessary require the state auditor or the director of the department
29 of financial institutions, to the extent of their respective
30 authority under applicable federal and Washington state law, to make
31 such investigation and report concerning the condition of any
32 financial institution which has been designated as a public
33 depository. The expense of all such investigations or reports shall
34 be borne by the financial institution examined.

35 (2) In lieu of any such investigation or report, the commission
36 may rely upon information made available to it or the director of the
37 department of financial institutions by the office of the comptroller
38 of the currency, ~~((the office of thrift supervision,))~~ the federal
39 deposit insurance corporation, the federal reserve board, any state

1 financial institutions regulatory agency, or any successor state or
2 federal financial institutions regulatory agency, and any such
3 information or data received by the commission shall be kept and
4 maintained in the same manner and have the same protections as
5 examination reports received by the commission from the director of
6 the department of financial institutions pursuant to RCW
7 (~~30.04.075~~) 30A.04.075(2)(h) and 32.04.220(2)(h).

8 (3) The director of the department of financial institutions
9 shall in addition advise the commission of any action he or she has
10 directed any state public depository to take which will result in a
11 reduction of greater than ten percent of the net worth of such
12 depository as shown on the most recent report it submitted pursuant
13 to RCW 39.58.100.

14 **Sec. 4.** RCW 39.58.108 and 2009 c 9 s 10 are each amended to read
15 as follows:

16 Any financial institution may become, and thereafter operate as,
17 a public depository upon approval by the commission and segregation
18 of collateral in the manner as set forth in this chapter, and subject
19 to compliance with all rules and policies adopted by the commission.
20 A public depository shall at all times pledge and segregate eligible
21 (~~securities~~) collateral in an amount established by the commission
22 by rule or noticed resolution.

23 **Sec. 5.** RCW 39.58.135 and 2009 c 9 s 12 are each amended to read
24 as follows:

25 Notwithstanding RCW 39.58.130, (1) aggregate deposits received by
26 a public depository from all treasurers and the state treasurer shall
27 not exceed at any time one hundred fifty percent of the value of the
28 depository's net worth, nor (2) shall the aggregate deposits received
29 by any public depository exceed thirty percent of the total aggregate
30 deposits of all public treasurers in all depositories as determined
31 by the (~~public deposit protection~~) commission. However, a public
32 depository may receive deposits in excess of the limits provided in
33 this section if eligible (~~securities~~) collateral, as prescribed in
34 RCW 39.58.050, are pledged (~~as collateral~~) in an amount equal to
35 one hundred percent of the value of deposits received in excess of
36 the limitations prescribed in this section.

1 **Sec. 6.** RCW 39.58.155 and 1999 c 293 s 3 are each amended to
2 read as follows:

3 A statewide custodian under RCW 43.08.280 may be exempted from
4 the requirements of this chapter, based on rules adopted by the
5 (~~public deposit protection~~) commission.

6 NEW SECTION. **Sec. 7.** The following acts or parts of acts are
7 each repealed:

8 (1) RCW 39.58.120 (Interest rates) and 1974 ex.s. c 50 s 1 & 1969
9 ex.s. c 193 s 12; and

10 (2) RCW 39.58.045 (Financial institutions claiming exemption from
11 sales, use or ad valorem taxes—Notification of commission) and 1983 c
12 66 s 4.

13 **Sec. 8.** RCW 28B.07.040 and 2012 c 229 s 508 are each amended to
14 read as follows:

15 The authority is authorized and empowered to do the following, on
16 such terms, with such security and undertakings, subject to such
17 conditions, and in return for such consideration, as the authority
18 shall determine in its discretion to be necessary, useful, or
19 convenient in accomplishing the purposes of this chapter:

20 (1) To promulgate rules in accordance with chapter 34.05 RCW;

21 (2) To adopt an official seal and to alter the same at pleasure;

22 (3) To maintain an office at any place or places as the authority
23 may designate;

24 (4) To sue and be sued in its own name, and to plead and be
25 impleaded;

26 (5) To make and execute agreements with participants and others
27 and all other instruments necessary, useful, or convenient for the
28 accomplishment of the purposes of this chapter;

29 (6) To provide long-term or short-term financing or refinancing
30 to participants for project costs, by way of loan, lease, conditional
31 sales contract, mortgage, option to purchase, or other financing or
32 security device or any such combination;

33 (7) If, in order to provide to participants the financing or
34 refinancing of project costs described in subsection (6) of this
35 section, the authority deems it necessary or convenient for it to own
36 a project or projects or any part of a project or projects, for any
37 period of time, it may acquire, contract, improve, alter,

1 rehabilitate, repair, manage, operate, mortgage, subject to a
2 security interest, lease, sell, or convey the project;

3 (8) To fix, revise from time to time, and charge and collect from
4 participants and others rates, rents, fees, charges, and repayments
5 as necessary to fully and timely reimburse the authority for all
6 expenses incurred by it in providing the financing and refinancing
7 and other services under this section and for the repayment, when
8 due, of all the principal of, redemption premium, if any, and
9 interest on all bonds issued under this chapter to provide the
10 financing, refinancing, and services;

11 (9) To accept and receive funds, grants, gifts, pledges,
12 guarantees, mortgages, trust deeds, and other security instruments,
13 and property from the federal government or the state or other public
14 body, entity, or agency and from any public or private institution,
15 association, corporation, or organization, including participants. It
16 shall not accept or receive from the state or any taxing agency any
17 money derived from taxes, except money to be devoted to the purposes
18 of a project of the state or of a taxing agency;

19 (10) To open and maintain a bank account or accounts in one or
20 more qualified public depositories in this state and to deposit all
21 or any part of authority funds therein;

22 (11) To employ consulting engineers, architects, attorneys,
23 accountants, construction and financial experts, superintendents,
24 managers, an executive director, and such other employees and agents
25 as may be necessary in its judgment to carry out the purposes of this
26 chapter, and to fix their compensation;

27 (12) To provide financing or refinancing to two or more
28 participants for a single project or for several projects in such
29 combinations as the authority deems necessary, useful, or convenient;

30 (13) To charge to and equitably apportion among participants the
31 administrative costs and expenses incurred in the exercise of the
32 powers and duties conferred by this chapter;

33 (14) To consult with the student achievement council to determine
34 project priorities under the purposes of this chapter; ((and))

35 (15) Provide for the investment of any funds, including funds
36 held in reserve, not required for immediate disbursement, and provide
37 for the selection of investments; and

38 (16) To do all other things necessary, useful, or convenient to
39 carry out the purposes of this chapter.

1 In the exercise of any of these powers, the authority shall incur
2 no expense or liability which shall be an obligation, either general
3 or special, of the state, or a general obligation of the authority,
4 and shall pay no expense or liability from funds other than funds of
5 the authority. Funds of the state shall not be used for such purpose.

6 **Sec. 9.** RCW 39.59.010 and 2015 c 225 s 50 are each amended to
7 read as follows:

8 Unless the context clearly requires otherwise, the definitions in
9 this section apply throughout this chapter.

10 (1) "Bond" means any agreement which may or may not be
11 represented by a physical instrument, including but not limited to
12 bonds, notes, warrants, or certificates of indebtedness, that
13 evidences an obligation under which the issuer agrees to pay a
14 specified amount of money, with or without interest, at a designated
15 time or times either to registered owners or bearers.

16 (2) "Local government" means any county, city, town, special
17 purpose district, political subdivision, municipal corporation, or
18 quasi-municipal corporation, including any public corporation,
19 authority, or other instrumentality created by such an entity.

20 ~~(3) ("Money market fund" means a mutual fund the portfolio which
21 consists of only bonds having maturities or demand or tender
22 provisions of not more than one year, managed by an investment
23 advisor who has posted with the office of risk management in the
24 department of enterprise services a bond or other similar instrument
25 in the amount of at least five percent of the amount invested in the
26 fund pursuant to RCW 39.59.030 (2) or (3).~~

27 ~~(4) "Mutual fund" means a diversified mutual fund registered with
28 the federal securities and exchange commission and which is managed
29 by an investment advisor with assets under management of at least
30 five hundred million dollars and with at least five years' experience
31 in investing in bonds authorized for investment by this chapter and
32 who has posted with the office of risk management in the department
33 of enterprise services a bond or other similar instrument in the
34 amount of at least five percent of the amount invested in the fund
35 pursuant to RCW 39.59.030(1).~~

36 ~~(5))~~ "State" includes ~~((a state, agencies, authorities, and
37 instrumentalities of a state, and public corporations created by a
38 state or agencies, authorities, or instrumentalities of a state))~~ any
39 state in the United States, other than the state of Washington.

1 **Sec. 10.** RCW 39.59.020 and 1988 c 281 s 2 are each amended to
2 read as follows:

3 ~~((In addition to any other investment authority granted by law
4 and notwithstanding any provision of law to the contrary, the state
5 of Washington and))~~ (1) Local governments in the state of Washington
6 are authorized to invest their funds and money in their custody or
7 possession, eligible for investment, in(÷

8 ~~(1) Bonds of the state of Washington and any local government in
9 the state of Washington, which bonds have at the time of investment
10 one of the three highest credit ratings of a nationally recognized
11 rating agency;~~

12 ~~(2) General obligation bonds of a state other than the state of
13 Washington and general obligation bonds of a local government of a
14 state other than the state of Washington, which bonds have at the
15 time of investment one of the three highest credit ratings of a
16 nationally recognized rating agency;~~

17 ~~(3) Subject to compliance with RCW 39.56.030, registered warrants
18 of a local government in the same county as the government making the
19 investment; or~~

20 ~~(4) Any investments authorized by law for the treasurer of the
21 state of Washington or any local government of the state of
22 Washington other than a metropolitan municipal corporation but,
23 except as provided in chapter 39.58 RCW, such investments shall not
24 include certificates of deposit of banks or bank branches not located
25 in the state of Washington))~~ investments authorized by this chapter.

26 (2) Nothing in this section is intended to limit or otherwise
27 restrict a local government from investing in additional authorized
28 investments if that local government has specific authority to do so.

29 NEW SECTION. **Sec. 11.** A new section is added to chapter 39.59
30 RCW to read as follows:

31 Any local government in the state of Washington may invest in:

32 (1) Bonds of the state of Washington and any local government in
33 the state of Washington;

34 (2) General obligation bonds of a state and general obligation
35 bonds of a local government of a state, which bonds have at the time
36 of investment one of the three highest credit ratings of a nationally
37 recognized rating agency;

1 (3) Subject to compliance with RCW 39.56.030, registered warrants
2 of a local government in the same county as the government making the
3 investment;

4 (4) Certificates, notes, or bonds of the United States, or other
5 obligations of the United States or its agencies, or of any
6 corporation wholly owned by the government of the United States; or
7 United States dollar denominated bonds, notes, or other obligations
8 that are issued or guaranteed by supranational institutions, provided
9 that, at the time of investment, the institution has the United
10 States government as its largest shareholder;

11 (5) Federal home loan bank notes and bonds, federal land bank
12 bonds and federal national mortgage association notes, debentures and
13 guaranteed certificates of participation, or the obligations of any
14 other government sponsored corporation whose obligations are or may
15 become eligible as collateral for advances to member banks as
16 determined by the board of governors of the federal reserve system;

17 (6) Bankers' acceptances purchased on the secondary market;

18 (7) Commercial paper purchased in the secondary market, provided
19 that any local government of the state of Washington that invests in
20 such commercial paper must adhere to the investment policies and
21 procedures adopted by the state investment board; and

22 (8) Corporate notes purchased on the secondary market, provided
23 that any local government of the state of Washington that invests in
24 such notes must adhere to the investment policies and procedures
25 adopted by the state investment board.

26 NEW SECTION. **Sec. 12.** RCW 39.59.030 (Authorized investments—
27 Mutual funds and money market funds) and 1988 c 281 s 3 are each
28 repealed.

29 **Sec. 13.** RCW 39.60.010 and 1939 c 32 s 1 are each amended to
30 read as follows:

31 Notwithstanding the provisions of any other statute of the state
32 of Washington to the contrary, it shall be lawful ((for the state of
33 Washington and any of its departments, institutions and agencies,
34 municipalities, districts, and any other political subdivision of the
35 state, or any political or public corporation of the state, or)) for
36 any insurance company, savings and loan association, or for any bank,
37 trust company or other financial institution, operating under the
38 laws of the state of Washington, or for any executor, administrator,

1 guardian or conservator, trustee or other fiduciary to invest its
2 funds or the moneys in its custody or possession, eligible for
3 investment, in notes or bonds secured by mortgage which the Federal
4 Housing Administrator has insured or has made a commitment to insure
5 in obligations of national mortgage associations, in debentures
6 issued by the Federal Housing Administrator, and in the bonds of the
7 Home Owner's Loan Corporation, a corporation organized under and by
8 virtue of the authority granted in H.R. 5240, designated as the Home
9 Owner's Loan Act of 1933, passed by the congress of the United States
10 and approved June 13, 1933, and in bonds of any other corporation
11 which is or hereafter may be created by the United States, as a
12 governmental agency or instrumentality.

13 **Sec. 14.** RCW 39.60.020 and 1933 ex.s. c 37 s 2 are each amended
14 to read as follows:

15 Notwithstanding the provisions of any other statute of the state
16 of Washington to the contrary, it shall be also lawful (~~for the~~
17 ~~state of Washington and any of its departments, institutions and~~
18 ~~agencies, municipalities, districts, and any other political~~
19 ~~subdivisions of the state, or any political or public corporation of~~
20 ~~the state, or~~) for any insurance company, savings and loan
21 association, building and loan association, or for any bank, trust
22 company or other financial institution, operating under the laws of
23 the state of Washington, or for any executor, administrator, guardian
24 or conservator, trustee or other fiduciary, to exchange any
25 mortgages, contracts, judgments or liens owned or held by it, for the
26 bonds of the Home Owners' Loan Corporation, a corporation organized
27 under and by virtue of the authority granted in H.R. 5240, designated
28 as The Home Owners' Loan Act of 1933, passed by the congress of the
29 United States and approved June 13, 1933, or for the bonds of any
30 other corporation which is or hereafter may be created by the United
31 States as a governmental agency or instrumentality; and to accept
32 said bonds at their par value in any such exchange.

33 **Sec. 15.** RCW 39.60.030 and 1939 c 32 s 2 are each amended to
34 read as follows:

35 Wherever, by statute of this state, collateral is required as
36 security for the deposit of (~~public or other~~) funds; or deposits
37 are required to be made with any public official or department; or an
38 investment of capital or surplus, or a reserve or other fund is

1 required to be maintained consisting of designated securities, the
2 bonds and other securities herein made eligible for investment shall
3 also be eligible for such purpose.

4 **Sec. 16.** RCW 39.60.040 and 1967 ex.s. c 48 s 1 are each amended
5 to read as follows:

6 The obligations issued pursuant to said Federal Home Loan Bank
7 Act and to said Title IV of the National Housing Act as such acts are
8 now or hereafter amended, and the shares, deposits or accounts of any
9 institution which has the insurance protection provided by Title IV
10 of the National Housing Act, as now or hereafter amended, may be used
11 at face value or withdrawal value, and bonds or other interest
12 bearing obligations as to which the payment of some but less than the
13 full principal and interest is guaranteed by the United States of
14 America or any agency thereof may be used to the extent of the
15 portion so guaranteed, wherever, by statute of this state or
16 otherwise, collateral is required as security for the deposit of
17 (~~public or other~~) funds, or deposits are required to be made with
18 any public official or department, or an investment of capital or
19 surplus, or a reserve or other fund, is required to be maintained
20 consisting of designated security, or wherever by statute of this
21 state or otherwise, any surety, whether personal, corporate, or
22 otherwise, or any collateral or security, is required or permitted
23 for any purpose, including without limitation on the generality of
24 the foregoing, any bond, recognizance, or undertaking.

25 **Sec. 17.** RCW 39.60.050 and 1970 ex.s. c 93 s 1 are each amended
26 to read as follows:

27 Notwithstanding the provisions of any other statute of the state
28 of Washington to the contrary, it shall be lawful (~~for the state of
29 Washington and any of its departments, institutions and agencies,
30 municipalities, districts, and any other political subdivision, or
31 any political or public corporation of the state, or~~) for any
32 executor, administrator, guardian, or conservator, trustee or other
33 fiduciary, to invest its funds or the moneys in its custody or
34 possession, eligible for investment, in notes, bonds, or debentures
35 of savings and loan associations, banks, mutual savings banks,
36 savings and loan service corporations operating with approval of the
37 federal home loan bank, and corporate mortgage companies: PROVIDED,
38 That the notes, bonds or debentures are rated not less than "A" by a

1 nationally recognized rating agency, or are insured or guaranteed by
2 an agency of the federal government or by private insurer authorized
3 to do business in the state: PROVIDED FURTHER, That the notes, bonds
4 and debentures insured or guaranteed by a private insurer shall also
5 be backed by a pool of mortgages equal to the amount of the notes,
6 bonds or debentures.

7 **Sec. 18.** RCW 43.84.080 and 1982 c 148 s 1 are each amended to
8 read as follows:

9 Wherever there is in any fund or in cash balances in the state
10 treasury more than sufficient to meet the current expenditures
11 properly payable therefrom, the state treasurer may invest or
12 reinvest such portion of such funds or balances as the state
13 treasurer deems expedient in the following (~~defined securities or~~
14 ~~classes of investments~~):

15 (1) Certificates, notes, or bonds of the United States, or other
16 obligations of the United States or its agencies, or of any
17 corporation wholly owned by the government of the United States or
18 United States dollar denominated bonds, notes, or other obligations
19 that are issued or guaranteed by supranational institutions, provided
20 that, at the time of investment, the institution has the United
21 States government as its largest shareholder;

22 (2) In state, county, municipal, or school district bonds, notes,
23 or in warrants of taxing districts of the state. Such bonds and
24 warrants shall be only those found to be within the limit of
25 indebtedness prescribed by law for the taxing district issuing them
26 and to be general obligations. The state treasurer may purchase such
27 bonds or warrants directly from the taxing district or in the open
28 market at such prices and upon such terms as it may determine, and
29 may sell them at such times as it deems advisable;

30 (~~(3) ((In motor vehicle fund warrants when authorized by agreement~~
31 ~~between the state treasurer and the department of transportation~~
32 ~~requiring repayment of invested funds from any moneys in the motor~~
33 ~~vehicle fund available for state highway construction;~~

34 (+4)) In federal home loan bank notes and bonds, federal land
35 bank bonds and federal national mortgage association notes,
36 debentures and guaranteed certificates of participation, or the
37 obligations of any other government sponsored corporation whose
38 obligations are or may become eligible as collateral for advances to

1 member banks as determined by the board of governors of the federal
2 reserve system;

3 ~~((+5))~~ (4) Bankers' acceptances purchased on the secondary
4 market;

5 ~~((+6) Negotiable certificates of deposit of any national or state
6 commercial or mutual savings bank or savings and loan association
7 doing business in the United States: PROVIDED, That the treasurer
8 shall adhere to the investment policies and procedures adopted by the
9 state investment board;~~

10 ~~(+7))~~ (5) Commercial paper~~((+PROVIDED,))~~ purchased on the
11 secondary market, provided that the state treasurer ((shall)) adheres
12 to the investment policies and procedures adopted by the state
13 investment board;

14 (6) General obligation bonds of any state and general obligation
15 bonds of local governments of other states, which bonds have at the
16 time of investment one of the three highest credit ratings of a
17 nationally recognized rating agency; and

18 (7) Corporate notes purchased on the secondary market, provided
19 that the state treasurer adheres to the investment policies and
20 procedures adopted by the state investment board.

21 **Sec. 19.** RCW 43.250.020 and 2010 1st sp.s. c 10 s 2 are each
22 reenacted and amended to read as follows:

23 Unless the context clearly requires otherwise, the definitions in
24 this section shall apply throughout this chapter.

25 (1) "Authorized tribal official" means any officer or employee of
26 a qualifying federally recognized tribe who has been expressly
27 designated by tribal constitution, ordinance, or resolution as the
28 officer having the authority to invest the funds of the qualifying
29 federally recognized tribe or federally recognized political
30 subdivisions thereof.

31 (2) "Eligible governmental entity" means any county, city, town,
32 municipal corporation, quasi-municipal corporation, public
33 corporation, political subdivision, or special purpose taxing
34 district in the state, an instrumentality of any of the foregoing
35 governmental entities created under chapter 39.34 RCW, any agency of
36 state government, any entity issuing or executing and delivering
37 bonds or certificates of participation with respect to financing
38 contracts approved by the state finance committee under RCW

1 39.94.040, and any qualifying federally recognized tribe or federally
2 recognized political subdivisions thereof.

3 (3) "Financial officer" means the board-appointed treasurer of a
4 community or technical college district, the state board for
5 community and technical colleges, or a public four-year institution
6 of higher education.

7 (4) "Funds" means:

8 (a) Funds of an eligible governmental entity under the control of
9 or in the custody of any government finance official or local funds,
10 as defined by the office of financial management publication
11 "Policies, Regulations and Procedures," under the control of or in
12 the custody of a financial officer by virtue of the official's
13 authority that are not immediately required to meet current
14 demands((+)

15 ~~(b) State funds deposited in the investment pool by the state~~
16 ~~treasurer that are the proceeds of bonds, notes, or other evidences~~
17 ~~of indebtedness authorized by the state finance committee under~~
18 ~~chapter 39.42 RCW, or the proceeds of bonds or certificates of~~
19 ~~participation with respect to financing contracts approved by the~~
20 ~~state finance committee under RCW 39.94.040, or payments pursuant to~~
21 ~~financing contracts under chapter 39.94 RCW, when the investments are~~
22 ~~made in order to comply with the Internal Revenue Code of 1986, as~~
23 ~~amended)); and~~

24 ((+e)) (b) Tribal funds under the control of or in the custody
25 of any qualifying federally recognized tribe or federally recognized
26 political subdivisions thereof, where the tribe warrants that the use
27 or disposition of the funds are either not subject to, or are used
28 and deposited with federal approval, and where the tribe warrants
29 that the funds are not immediately required to meet current demands.

30 (5) "Government finance official" means any officer or employee
31 of an eligible governmental entity who has been designated by statute
32 or by local charter, ordinance, resolution, or other appropriate
33 official action, as the officer having the authority to invest the
34 funds of the eligible governmental entity. However, the county
35 treasurer shall be deemed the only government finance official for
36 all public agencies for which the county treasurer has exclusive
37 statutory authority to invest the funds thereof.

38 (6) "Public funds investment account" or "investment pool" means
39 the aggregate of all funds as defined in subsection (4) of this

1 section that are placed in the custody of the state treasurer for
2 investment and reinvestment.

3 (7) "Qualifying federally recognized tribe or federally
4 recognized political subdivisions thereof" means any federally
5 recognized tribe, located in the state of Washington, authorized and
6 empowered by its constitution or ordinance to invest its surplus
7 funds pursuant to this section, and whose authorized tribal official
8 has executed a deposit agreement with the office of the treasurer.

9 NEW SECTION. **Sec. 20.** RCW 43.250.090 (Administration of chapter
10 —Rules) and 1986 c 294 s 9 are each repealed.

11 NEW SECTION. **Sec. 21.** A new section is added to chapter 28B.10
12 RCW to read as follows:

13 (1) The following definitions apply throughout this section
14 unless the context clearly requires otherwise.

15 (a) "Bond" means any agreement which may or may not be
16 represented by a physical instrument, including but not limited to
17 bonds, notes, warrants, or certificates of indebtedness, that
18 evidences an obligation under which the issuer agrees to pay a
19 specified amount of money, with or without interest, at a designated
20 time or times either to registered owners or bearers.

21 (b) "Local government" means any county, city, town, special
22 purpose district, political subdivision, municipal corporation, or
23 quasi-municipal corporation, including any public corporation,
24 authority, or other instrumentality created by such an entity.

25 (c) "State" includes any state in the United States, other than
26 the state of Washington.

27 (2) In addition to any other statutorily authorized investments
28 permissible pursuant to chapters 28B.20, 28B.30, 28B.35, 28B.40, and
29 28B.50 RCW, institutions of higher education may invest in:

30 (a) Bonds of the state of Washington and any local government in
31 the state of Washington, which bonds have at the time of investment
32 one of the three highest credit ratings of a nationally recognized
33 rating agency;

34 (b) General obligation bonds of a state and general obligation
35 bonds of a local government of a state, which bonds have at the time
36 of investment one of the three highest credit ratings of a nationally
37 recognized rating agency;

1 (c) Subject to compliance with RCW 39.56.030, registered warrants
2 of a local government in the same county as the institution of higher
3 education making the investment;

4 (d) Certificates, notes, or bonds of the United States, or other
5 obligations of the United States or its agencies, or of any
6 corporation wholly owned by the government of the United States; or
7 United States dollar denominated bonds, notes, or other obligations
8 that are issued or guaranteed by supranational institutions, provided
9 that, at the time of investment, the institution has the United
10 States government as its largest shareholder;

11 (e) Federal home loan bank notes and bonds, federal land bank
12 bonds and federal national mortgage association notes, debentures and
13 guaranteed certificates of participation, or the obligations of any
14 other government sponsored corporation whose obligations are or may
15 become eligible as collateral for advances to member banks as
16 determined by the board of governors of the federal reserve system;

17 (f) Bankers' acceptances purchased on the secondary market;

18 (g) Commercial paper purchased in the secondary market, provided
19 that any institution of higher education that invests in such
20 commercial paper must adhere to the investment policies and
21 procedures adopted by the state investment board; and

22 (h) Corporate notes purchased on the secondary market, provided
23 that any institution of higher education that invests in such notes
24 must adhere to the investment policies and procedures adopted by the
25 state investment board.

26 (3) Nothing in this section limits the investment authority
27 granted pursuant to chapters 28B.20, 28B.30, 28B.35, 28B.40, and
28 28B.50 RCW.

Passed by the Senate March 9, 2016.

Passed by the House March 4, 2016.

Approved by the Governor March 31, 2016.

Filed in Office of Secretary of State April 1, 2016.