

# SENATE BILL REPORT

## SB 5464

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As of February 16, 2017

**Title:** An act relating to establishing the Washington investment trust.

**Brief Description:** Establishing the Washington investment trust.

**Sponsors:** Senators Hasegawa, Saldaña, Wellman, Keiser, Chase, Conway, Ranker, Liias, Kuderer, Hunt, Darneille, Frockt, Cleveland, McCoy, Nelson, Palumbo and Rolfes.

**Brief History:**

**Committee Activity:** Financial Institutions & Insurance: 2/09/17.

**Brief Summary of Bill**

- Establishes the Washington Investment Trust (Trust) to serve as a depository for public funds including state funds and federal transportation funds.
- Authorizes the Trust to invest state funds to facilitate financing and construction of public infrastructure.

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### SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

**Staff:** Jeff Olsen (786-7428)

**Background:** The State Treasurer (Treasurer) is responsible for the management of state funds including managing cash flows for state funds, issuing and managing state debt, and producing a detailed annual report on the condition of the State Treasury (Treasury). The Department of Financial Institutions (DFI) is the agency responsible for monitoring and regulating financial institutions, including banks, in Washington.

**Summary of Bill:** The Washington Investment Trust (Trust) is created to serve as a depository for state monies and federal transportation funds and is authorized to manage and invest state monies in order to facilitate financing and construction of new and existing public infrastructure systems.

The Washington Investment Trust Commission (Commission) is established as the primary governing authority of the Trust. The Commission is comprised of five statewide elected

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officials including the Governor, the Lieutenant Governor, the Attorney General, the Treasurer, and the State Auditor. The Commission must begin operations by July 1, 2018, and may adopt rules regarding the standards and transparency requirements of the Trust. The Commission may delegate duties and powers necessary to implement the Trust's business to the Trust President. The Commission may also establish technical and advisory committees and consult with private sector experts as needed.

The Trust Transition Board (Transition Board) is established and is comprised of two representatives and two senators, one from each major caucus of the House of Representatives and the Senate, and seven citizen members. The citizen members are appointed by the President of the Senate and the Speaker of the House, with one of the citizen members appointed as chair of the Transition Board. The Transition Board shall develop and make recommendations to the Commission regarding a start-up business plan for the Trust. The start-up plan must include plans and timelines for functions that are new and functions transitioning to the Trust that were previously performed by another entity, initial capital requirements of the Trust, and options for capitalizing the Trust.

The Treasurer and local government agencies must deposit state monies and federal transportation funds into the Trust in accordance with the timeframe and guidelines determined by the Commission. The Commission must review state accounts that are not part of the Treasury and make recommendations to the Governor and the Legislature as to which accounts should be deposited in the Trust. The Trust may accept deposits from any public source, including federal funds.

All deposits in the Trust are guaranteed by the state rather than insured by the FDI. Administrative and strategic planning expenses of the Trust are funded from its earnings, subject to legislative authorization. The Trust must deposit in the General Fund interest earnings that exceed required distributions and those necessary for the continued sound operation of the Trust. The Trust is exempt from the requirements of the Public Deposit Protection Commission.

The Commission and the Treasurer must jointly determine the amount of funds necessary to meet the operational needs of state government. The Treasurer retains authority to manage and invest the amount of funds necessary to meet the operational needs of state government.

The Trust is authorized to manage and invest state monies in order to facilitate financing of new and existing public infrastructure systems. By November 1, 2017, the Commission must present an implementation plan and any necessary legislation to the Governor and legislative committees that: (1) identifies any existing accounts in the Treasury associated with state infrastructure programs that the Trust recommends be transferred under its umbrella; (2) describes additional infrastructure funding that the trust recommends; and (3) demonstrates how the Trust plans to maximize revenues and public benefit.

The Trust must maintain capital adequacy and other standard indicators of safety and soundness monitored by the DFI. The Director of DFI must examine the Trust, and the State Auditor must conduct an annual audit of the Trust's accounts and financial transactions. The Trust must submit quarterly reports to the Commission. By December 1st of each year, the Commission must make an annual report to the Legislature on the affairs of the Trust.

An Investment Trust Advisory Board (Board) is created consisting of 11 members to review the Trust's operations and make recommendations regarding trust management and policies. The Governor shall appoint members with experience in trust activities, with at least six members with experience in finance. Members serve a three-year term at the pleasure of the Governor.

The financial and commercial information supplied by businesses or individuals during application for loans or program services and examination reports and information obtained by DFI from the Trust are exempt from public disclosure. The Trust may not make a loan to a Board member, the President, or employees. The Trust is exempt from all fees and taxes levied by the state or its subdivisions.

**Appropriation:** None.

**Fiscal Note:** Available.

**Creates Committee/Commission/Task Force that includes Legislative members:** Yes.

**Effective Date:** The bill contains an emergency clause and takes effect immediately.

**Staff Summary of Public Testimony:** PRO: Washington should establish a state bank, similar to North Dakota, to invest in public infrastructure. Washington should maintain control over its tax dollars and leverage those dollars to invest in public infrastructure. One issue is how to capitalize the bank, however, the state has many resources and different types of funding, including the State Investment Board, and state bonds that could be looked at as possible funding sources. A state bank is safer than Wall Street, and it is constitutional. Washington's debt portfolio is at \$21 billion with annual debt payments surpassing \$2 billion per year. The state needs a better way to pay for infrastructure and avoid paying significant amounts each year in debt payments. There is a current need for investments in our schools, including addressing unsafe drinking water. Washington should invest money in itself, creating jobs, and paying for education. Having a state bank would better prepare Washington for the next recession.

CON: One policy question is: should a state sponsored bank be created to compete with private banks and be granted a competitive advantage? The state bank would compete with private banks on a wide array of services that are offered and available by private banks, without having to pay taxes.

**Persons Testifying:** PRO: Senator Bob Hasegawa, Prime Sponsor; Senator Marko Lias; Brian Gunn, citizen; Dennis Ortblad, Seattle Public Banking Coalition; David Spring, Washington Public Bank Coalition; Alexander Matias, citizen; Jerry Seitz, citizen; Mary Paterson, No New Jim Crow member; James Mateson, citizen; Michael Brewer, citizen; Shannon Carpenter, citizen; Charles Schultz, citizen; Lee Wimberly, citizen; Hayward Evans, Washington State Civil Rights Coalition; Eddie Rye, Jr., Community Coalition for Contracts & Jobs; J.J. Lindsey, citizen; Keoki Kauano, citizen; Zahid Chaudhry, citizen.

CON: Denny Eliason, WA. Bankers Association/United Financial Lobby.

**Persons Signed In To Testify But Not Testifying:** PRO: Phyllis Booth, citizen.