HOUSE BILL REPORT

SHB 1528

As Passed Legislature

Title: An act relating to cash management.

Brief Description: Modifying the state's cash management system.

Sponsors: By House Committee on Appropriations (originally sponsored by Representatives Dunshee, Locke and R. Meyers; by request of Office of Financial Management.)

Brief History:
Reported by House Committee on:
Appropriations, February 25, 1993, DPS;
Passed House, March 11, 1993, 95-3;
Amended by Senate;
Passed Legislature, April 20, 1993, 96-1.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 23 members: Representatives Locke, Chair; Valle, Vice Chair; Silver, Ranking Minority Member; Carlson, Assistant Ranking Minority Member; Appelwick; Basich; Cooke; Dellwo; Dorn; Dunshee; G. Fisher; Jacobsen; Lemmon; Linville; Morton; Peery; Rust; Sehlin; Sheahan; Sommers; Stevens; Talcott; and Wolfe.

Staff: Beth Redfield (786-7130).

Background: The state currently uses electronic fund transfers (EFT) for payroll, intergovernmental transfers, and collecting from large taxpayers. Credit cards are accepted by the Convention and Trade Center and institutions of higher education. These methods of funds transfer are authorized by statute.

Agencies may maintain local funds outside of the treasury with the approval of the Office of Financial Management (OFM). Agencies with treasury accounts may also maintain petty cash and lock box accounts outside the treasury for local deposit purposes. Currently, 15 agencies maintain such accounts with 50 banks. Agencies maintaining local funds and accounts outside of the treasury are responsible for negotiating the service fees and interest rates for their accounts. Fees and interest rates for these local accounts vary widely.

The federal Cash Management Improvement Act of 1990 (CMIA) was passed to provide equity in the exchange of funds between the states and the federal government. Under the act, if federal funds are drawn down by a state too soon, the state will owe the federal government interest earnings. If federal funds are not received quickly enough, the federal government will owe the state interest earnings. CMIA also requires that each state set up a centralized mechanism for reconciling accounts with the federal government. The deadline for state compliance with CMIA has been extended to July 1993 from October 1992.

Summary of Bill: OFM is authorized to approve, whenever economically feasible, the use of EFT, credit cards, and other electronic means for transfer of funds by state agencies. OFM is directed to adopt rules specifying the manner in which electronic payment methods are available to agencies. The Office of the State Treasurer is directed to coordinate agencies' contracts with credit card companies and acceptance of other payment methods once approved by OFM.

Specific statutory provisions for credit card acceptance by institutions of higher education and the Convention and Trade Center are deleted and specific statutory authority for the use of EFT for direct deposit of payroll is deleted.

The Office of the State Treasurer is made responsible for ensuring the effective cash management of public funds, including representing the state in all contractual relationships with financial institutions.

Agencies authorized to create local accounts outside the state treasury are directed to use the services of the state treasurer to ensure compliance with cash management policies established by OFM. The Investment Income and Treasury Income accounts are authorized to pay for purchased banking services without appropriation. Purchased banking services include, but are not limited to, depository, safekeeping, and disbursement functions for the state treasurer or affected state agencies.

To reconcile federal and state accounts and thus comply with CMIA, the Treasury Income Account is authorized to pay or receive funds from the federal government. OFM is to direct the transfers of funds between accounts as necessary to implement the CMIA. No appropriation is required for refunds or allocations of interest earnings required by CMIA.

The Office of Financial Management is required to report to the fiscal committees of the Legislature on January 1, 1995 and January 1, 1996 on the costs, financial benefits, and staffing requirements that result from the enactment of the bill.

Fiscal Note: Available.

Effective Date: This bill takes effect July 1, 1993.

Testimony For: With rapid changes in financial markets the state needs to be able to act quickly on opportunities to increase interest earnings and decrease banking costs. The bill will allow the state treasurer to restructure local fund bank account terms to the net benefit of the state. The OFM framework for establishing state agency use of credit cards is a good one. Department of Licensing is always looking at ways to improve service delivery, with this bill self service licensing would be possible.

Testimony Against: None.

Witnesses: Eileen Browne, Office of Financial Management (supports); Scott Sheeran, Office of the State Treasurer (supports); and John Swannack, Department of Licensing (supports credit card provisions).