

SENATE BILL REPORT

SB 5721

AS REPORTED BY COMMITTEE ON WAYS & MEANS, MARCH 2, 1993

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

SPONSORS: Senators Rinehart and McDonald; by request of Office of Financial Management

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5721 be substituted therefor, and the substitute bill do pass.

Signed by Senators Rinehart, Chairman; Spanel, Vice Chairman; Bauer, Bluechel, Cantu, Gaspard, Hargrove, Hochstatter, Jesernig, McDonald, Moyer, Niemi, Owen, Quigley, L. Smith, Snyder, Sutherland, Talmadge, West, Williams, and Wojahn.

Staff: Denise Graham (786-7715)

Hearing Dates: February 25, 1993; March 2, 1993

BACKGROUND:

The state currently uses electronic fund transfers 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 fund transfers are authorized by statute. Other state agencies do not have the authority to accept credit and debit cards for the payment of taxes, licenses and fees.

To bring funds into the treasury from locations outside of Olympia, agencies have accounts with banks. Currently, 15 agencies have accounts with 50 banks. Each agency is responsible for negotiating agreements with financial institutions for the purchase of banking services.

The federal Cash Management Improvement Act of 1990 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. The act also requires that each state set up a centralized mechanism for reconciling accounts with the federal government. The deadline for state compliance with the act is July 1993.

SUMMARY:

The Office of Financial Management is authorized to approve agencies' use of electronic and other technological means to transfer funds and information, and to eliminate paper documentation wherever possible. The Office of Financial Management's authority includes approving the use of electronic means to transfer payroll, vendor payments, and benefit payments, as well as the acceptance of credit cards, debit cards and other consumer debt instruments for payment of taxes, licenses and fees.

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

Payments for banking services purchased on behalf of the treasurer's trust funds or treasury funds will be made from earnings in the investment income account or the treasury income account, respectively. Purchased banking services include, but are not limited to, depository, safekeeping and disbursement functions for the State Treasurer or affected state agencies. No appropriation is required for payments to financial institutions from the investment income account or the treasury income account. Payments shall be made prior to the distribution of earnings.

The treasury income account shall be used to pay or receive funds associated with federal programs as required by the federal Cash Management Improvement Act of 1990. No appropriation is required for refunds or allocations of interest earnings required by the Cash Management Improvement Act. The Office of Financial Management shall determine the amounts due to or from the federal government under the Cash Management Improvement Act. Refunds or allocations shall occur prior to the distributions of earnings.

Agencies authorized to create local accounts must use the services of the State Treasurer's office to ensure that new or ongoing relationships with financial institutions are in concert with statewide policies and procedures.

EFFECT OF PROPOSED SUBSTITUTE:

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, staffing requirements and agency savings that result from the enactment of the bill.

Appropriation: none

Revenue: none

Fiscal Note: available

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

TESTIMONY FOR:

This bill would provide opportunity to maximize investment earnings and will allow state agencies such as the Department of Licensing to be more efficient.

TESTIMONY AGAINST: None

TESTIFIED: Eileen Browne, Office of Financial Management (pro); Scott Sheeran, State Treasurer's office (pro); John Swaunack, Department of Licensing (pro)