

# SENATE BILL REPORT

## SHB 1183

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As Reported By Senate Committee On:  
Commerce, Trade, Housing & Financial Institution, April 1, 1999

**Title:** An act relating to the state treasurer negotiating state-wide custody contracts.

**Brief Description:** Negotiating state-wide custody contracts.

**Sponsors:** House Committee on State Government (originally sponsored by Representatives H. Sommers, Huff, Romero, McMorris, McIntire and Esser; by request of State Treasurer).

**Brief History:**

**Committee Activity:** Commerce, Trade, Housing & Financial Institutions: 3/30/99, 4/1/99 [DPA].

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### SENATE COMMITTEE ON COMMERCE, TRADE, HOUSING & FINANCIAL INSTITUTIONS

**Majority Report:** Do pass as amended.

Signed by Senators Shin, Vice Chair; Benton, Deccio, Gardner, Hale, Heavey, Rasmussen, T. Sheldon, West and Winsley.

**Staff:** Catherine Mele (786-7470)

**Background:** Local governments enter into contracts with financial institutions for custody services. The custodian financial institution assures delivery of newly purchased securities before releasing monies for those securities. In addition, the custodian holds the securities and provides other valuation and reporting services during the period when the local government owns the securities. Currently, each local government negotiates its own custody contract. Concerns exist that larger local governments receive better rates and terms for custody services than smaller local governments who do not have the same volume of business.

**Summary of Amended Bill:** The State Treasurer is authorized to negotiate a statewide custody contract for local government custody services. The contract minimum is four years. Each local government has the option of signing onto the contract. The local government is responsible for understanding the terms of the contract and ensuring proper execution of the contract terms. The Treasurer is authorized to adopt rules regarding a statewide custody contract.

**Amended Bill Compared to Substitute Bill:** The Treasurer's rule-making authority to implement the statewide custody contract is clarified. A definition of financial institution is added which clarifies that only state or federally regulated financial institutions can become custodians.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect on September 1, 1999.

**Testimony For:** Many times custodian banks charge smaller local governments expensive fees for services because smaller local governments do not have large volumes of business with the custodian bank. This bill allows local governments to collectively obtain the best rates and terms for custody services regardless of the size of the government. If we have a single statewide contract, taxpayers in smaller jurisdictions pay the same for services that taxpayers pay in larger jurisdictions. Since participating in the statewide contract is optional, larger governments are not forced to participate and may continue negotiating their own contracts.

**Testimony Against:** None.

**Testified:** Mike Murphy, State Treasurer (pro).