

SENATE BILL REPORT

SSB 5539

As Amended by House, April 9, 2009

Title: An act relating to the investment expenses of counties.

Brief Description: Regarding investment expenses of counties.

Sponsors: Senate Committee on Government Operations & Elections (originally sponsored by Senators Oemig, Jarrett, McAuliffe, Pflug and Tom).

Brief History:

Committee Activity: Government Operations & Elections: 2/10/09, 2/19/09 [DPS, w/oRec].

Passed Senate: 3/07/09, 43-1.

Passed House: 4/09/09, 96-1.

SENATE COMMITTEE ON GOVERNMENT OPERATIONS & ELECTIONS

Majority Report: That Substitute Senate Bill No. 5539 be substituted therefor, and the substitute bill do pass.

Signed by Senators Fairley, Chair; Oemig, Vice Chair; Roach, Ranking Minority Member; McDermott and Pridemore.

Minority Report: That it be referred without recommendation.

Signed by Senator Benton.

Staff: Edward Redmond (786-7471)

Background: County treasurers operate under the authority of various state statutes relating to the receipt, processing, and disbursement of funds. County treasurers are the custodians of the county's money and the administrator of the county's financial transactions. County treasurers also provide financial services to special purpose districts and other units of local government including receipt, disbursement, investment, and accounting of the funds for each of these entities. County treasurers are authorized to use funds from a county investment pool to create a revolving fund. Expenditures from the fund are made to reimburse the treasurer's office for the actual expenses it incurs from the initial administrative costs of establishing the county investment pool.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Summary of Substitute Bill: Actual expenses include only the county treasurer's direct and out-of-pocket costs. Any indirect or loss-of-opportunity costs will not be included in determining the county's actual expenses.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: This bill is necessary because counties are charging school districts a very high fee to manage its investments. The fees that are charged are not consistent with the services provided; it should reflect actual costs and be consistent with services rendered. When county investment pools were first established through legislation, the intent was to have it operate like the state investment pool, which does not charge overhead fees. The state investment pool simply assesses costs for administering the pool.

CON: King County is opposed to the bill because it is overly restrictive and would prevent the county from recovering the true costs of its services. True costs include the actual cost of operating the pool (i.e. staff; outside financial resources and investment banking services; and legal expenses); indirect costs related to the administration of county government; and opportunity costs. Joining an investment pool is voluntary; fees should be set through inter-local agreements. There are many costs from the treasurer that the county already covers. This bill would require the county to further subsidize its service at a time when it can least afford it.

Persons Testifying: PRO: Martin Turney, Issaquah School District; Doug Lasher, Clark County Treasurer.

CON: Ken Guy, King County.

House Amendment(s): Requires county investment pools to be made available to any local government seeking to invest its funds with the county. Specifies that a county treasurer must honor the request from a local government to invest its funds in a county investment pool. Defines "direct costs."