

HOUSE BILL REPORT

SB 6114

As Reported by House Committee On:
Local Government

Title: An act relating to local government treasury practices and procedures.

Brief Description: Revising local government treasury practices and procedures.

Sponsors: Senators Benton and Cleveland.

Brief History:

Committee Activity:

Local Government: 2/24/14, 2/26/14 [DPA].

Brief Summary of Bill
(As Amended by Committee)

- Modifies provisions relating to a county treasurer's authority to accept electronic payments and charge transaction processing costs, such as by authorizing county treasurers to absorb any fees associated with electronic payments for taxes, and interest and penalties associated with taxes.
- Defines the terms "electronic payment," "nontax payment," and "transaction processing cost."
- Incorporates provisions, previously only referenced by their Revised Code of Washington citations, into a statute that governs county issuance of duplicate instruments evidencing indebtedness when one is lost or destroyed.

HOUSE COMMITTEE ON LOCAL GOVERNMENT

Majority Report: Do pass as amended. Signed by 9 members: Representatives Takko, Chair; Gregerson, Vice Chair; Overstreet, Ranking Minority Member; Kochmar, Assistant Ranking Minority Member; Farrell, Fitzgibbon, Pike, Springer and Taylor.

Staff: Michaela Murdock (786-7289).

Background:

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.

County Treasurers.

County treasurers are the custodian of county money and the administrator of the county's financial transactions, and may also provide financial services to special purpose districts and other units of local government. County treasurers have many statutorily enumerated duties, which include receiving and disbursing money, issuing receipts for money received, and maintaining financial records reflecting receipts and disbursements.

County treasurers are required by statute to keep all money belonging to the state or counties in their possession until it is disbursed according to law. County treasurers may deposit such money into any regularly designated, qualified public depository (*i.e.*, a financial institution designated as a depository for public funds by the county treasurer and qualified as a public depository by the Public Deposit Protection Commission).

County Treasurers - Electronic Payments.

In receiving money due the county, county treasurers may accept the following forms of electronic payment: credit cards, charge cards, debit cards, smart cards, stored value cards, federal wire, automatic clearinghouse system transactions, or other electronic communication. Such forms of payment may be accepted for any kind of payment to the county treasurer, including taxes, fines, interest, penalties, special assessments, fees, rates, charges, or other moneys due.

A payer using an electronic form of payment bears the cost of processing the transaction. The amount of the cost is determined and charged by the county treasurer, unless a county or district legislative authority finds that it is in the best interest of the county or district not to charge the transaction processing cost for all payment transactions made for a specific category of nontax payments (*e.g.*, fines, nontax interest, nontax penalties, special assessments, fees, rates, and charges). The county treasurer's cost determination must be based upon costs incurred by the treasurer and may not exceed the additional direct costs incurred by the county to accept the specific form of payment utilized by the payer.

Local Governments - Lost or Destroyed Evidence of Indebtedness.

When a warrant, bond, or any other instrument or evidence of indebtedness issued by a local government (*i.e.*, a county, city, town, district, or political subdivision or municipal corporation of the state), or any department or agency of the local government, is lost or destroyed a duplicate may be issued. Duplicate instruments for local governments must be issued in the same manner as duplicate instruments for the state, except in specified circumstances. Duplicate instruments are subject in all other respects to the same provisions of law as the original instruments.

Duplicate instruments must bear the same number, class, or designation as the original and must be for the same amount; however, the word duplicate must appear plainly on the face of the new instrument. Before a duplicate instrument is issued, the county treasurer or other issuing officer must require the person requesting the duplicate to file a written, sworn affidavit. The affidavit must contain: the original instrument's date of issue; the number, amount, and purpose of the original instrument; a statement that the original has been lost or destroyed, and that it has not been paid or has not been received by the person making the affidavit.

Summary of Amended Bill:

County Treasurers - Electronic Payments.

For payments to county treasurers for taxes and tax-associated interest and penalties that are made using an automatic clearinghouse system, federal wire, or other electronic communication, county treasurers are now authorized to absorb within their banking services budget any associated fees.

When a county or district legislative authority finds that it is in the best interest of the county or district not to charge transaction processing costs for a specific category of nontax payments received by the county treasurer, the county treasurer now has the option of not charging those transaction processing costs, rather than being required to not charge them.

If a county treasurer elects not to charge transaction processing costs for a specific category of nontax payments, interest or penalties associated with such transactions may, but are not required to be, absorbed by the county department or taxing district assessing the payment transactions.

The terms "electronic payment," "nontax payment," and "transaction processing cost" are defined.

Local Governments - Lost or Destroyed Evidence of Indebtedness.

Provisions, which were previously only referenced by their Revised Code of Washington citation, are incorporated into a statute that governs the issuance by local governments of duplicate instruments. The incorporated provisions govern the form and content of duplicate instruments and the form and content of sworn affidavits made by persons applying for duplicate instruments.

Amended Bill Compared to Original Bill:

The bill as amended removes two sections from the underlying bill that: (1) require county treasurers to keep "public funds" (as that term is defined in applicable statute), in addition to all money belonging to the state or any county, in their possession until disbursed according to law; and (2) creates annual continuing education requirements for county treasurers who perform daily investment activities of an investment pool and persons authorized by the county treasurer to manage investment pools.

The amended bill also makes technical modifications to a section of the underlying bill concerning county treasurers' authority to accept electronic payments and to charge transaction processing costs to certain payers. Additionally, it eliminates a change made by the underlying bill that would require payers to bear the transaction processing costs only for payments made to a county treasurer for taxes, and tax-associated interest and penalties, rather than for any kind of electronic payment as currently provided in statute.

If a county or district legislative authority finds that it is in the best interest of the county or district not to charge transaction processing costs for all payments made for a specific

category of nontax payments, the county treasurer may elect (instead of being required to absorb such costs, as provided in the underlying bill) to not charge those transaction processing costs.

Finally, the amended bill defines the terms "electronic payment," "nontax payment," and "transaction processing cost."

Appropriation: None.

Fiscal Note: Not requested.

Effective Date of Amended Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) This bill will help bring county treasurers' operations up to date with current financial and banking practices. Importantly, the bill will require county treasurers to have continuing education in investment knowledge and strategies. This will help keep local municipalities solvent and make sure that their investments are done in a wise and prudent manner. People will be encouraged to make payments to the county electronically, which is the most efficient way.

The House companion of this bill, as amended, was previously heard by the committee and it passed both the committee and the House unanimously. A proposed amendment will bring this bill in sync with the House version.

(Opposed) None.

Persons Testifying: Senator Benton, prime sponsor; and Doug Lasher, Clark County Treasurer's Office.

Persons Signed In To Testify But Not Testifying: None.