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## Local Government Committee

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### SSB 5767

**Brief Description:** Revising local government treasury practices and procedures.

**Sponsors:** Senate Committee on Government Operations & Security (originally sponsored by Senators Cleveland, Benton, Honeyford and Fraser).

#### Brief Summary of Substitute Bill

- Modifies provisions relating to a county treasurer's (treasurer) authority to accept electronic payments and charge transaction processing costs, including authorizing treasurers to absorb fees associated with electronic payments for taxes, and interest and penalties associated with taxes.
- Modifies provisions that govern a local government's issuance of duplicate instruments evidencing indebtedness when one is lost or destroyed.

**Hearing Date:** 2/23/16

**Staff:** Michaela Murdock (786-7289).

#### **Background:**

##### County Treasurers.

A county treasurer (treasurer) is the custodian of county money and the administrator of the county's financial transactions. They may also serve as the *ex officio* treasurer for a special purpose district (district), for example, a flood control district, irrigation district, or public utility district, and may provide financial services to districts and other units of local government.

Treasurers have many duties enumerated in statute, which include receiving and disbursing money, issuing receipts for money received, and maintaining financial records reflecting receipts and disbursements.

##### County Treasurers – Electronic Payments.

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*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.*

In receiving money due a county or district, 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. These forms of payment may be accepted for any kind of payment to the treasurer, including taxes, fines, interest, penalties, special assessments, fees, rates, charges, or other monies due.

Generally, a payer using an electronic form of payment bears the cost of processing the transaction in an amount determined by the treasurer. The 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. A payer may not be required to bear certain costs, though, if a county or district legislative authority finds that it is in the best interests of the county or district not to charge the transaction processing cost for all payment transactions made for a specific category of nontax payments including fines, nontax interest, nontax penalties, special assessments, fees, rates, and charges.

#### Local Governments – Duplicate Instruments.

When a warrant, bond, or other instrument or evidence of indebtedness issued by a county, city, town, district, or political subdivision or municipal corporation of the state (local government), or any department or agency of the local government, is lost or destroyed, a duplicate in lieu of the original may be issued. The duplicate instrument must be issued in the same manner, and subject to the same conditions and requirements, as that used to issue duplicate state instruments.

#### State Officers or Agencies – Duplicate Instruments.

When a state warrant, bond, or other instrument or evidence of indebtedness is lost or destroyed, a duplicate in lieu of the original may be issued. The duplicate instrument must bear the same number, class, or designation as the original and must be for the same amount. The word duplicate must appear on the face of the new instrument. Duplicates are subject in all other respects to the same provisions of law as the original instruments.

Before issuing a duplicate instrument, the State Treasurer or other issuing officer must require the person applying for the duplicate to file an affidavit specifically alleging:

- that the applicant is the proper owner, payee, or legal representative of the owner or payee of the original instrument;
- the date of issue, number, amount, and for what services, claim, or purpose the original instrument or series of instruments of which it is a part was issued;
- that the original instrument has been lost or destroyed; and
- that the original instrument has not been paid or received by the applicant.

The State Treasurer or other issuing officer must keep a full and complete record of all warrants, bonds, or other instruments alleged to have been lost or destroyed and the issuance of any duplicates, as well as a list of all original warrants, bonds, or other instruments cancelled. If an original and its duplicate instrument are both presented for payment as a result of forgery or fraud, the issuing officer must endeavor to recover any losses suffered by the state.

Prior to 1979, an applicant for issuance of a duplicate instrument was also required to give bond for twice the face amount of the original instrument. This requirement did not apply to instruments received by employees for the payment of salary, wages, or other compensation, or by former employees or their beneficiaries for payment of pension benefits. In 1979 the bond requirement was removed from the statute (Chapter 71, Laws of 1979 1st sp. s.); however, a reference in other statute exempting employees and former employees from the stricken requirement was retained.

**Summary of Bill:**

County Treasurers – Electronic Payments.

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

When a county or district legislative authority finds that it is in the best interests of the county or district not to charge transaction processing costs for a specific category of nontax payments received by the treasurer, the treasurer may elect, rather than being required, not to charge those transaction processing costs. If a treasurer elects not to charge transaction processing costs for a specific category of nontax payments, the county department or taxing district assessing the payment transactions may absorb any associated interest or penalties.

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

Local Governments – Duplicate Instruments.

Provisions governing the issuance of duplicate instruments by local governments are modified. Statutory requirements for the issuance of duplicate instruments by the state, which were incorporated by reference into a local government statute and applicable to duplicate instruments issued by local governments, are specifically incorporated into the local government statute.

As a result, requirements for the issuance of duplicate instruments by local governments are largely unchanged, with several exceptions. First, such duplicates are no longer required to bear the same number and class as the original instrument. Second, the word duplicate does not have to appear on the face of the instrument. Finally, a statutory provision exempting employees and former employees that apply for a duplicate of certain instruments from the now obsolete requirement to give bond is stricken.

**Appropriation:** None.

**Fiscal Note:** Not requested.

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