

SENATE BILL REPORT

ESB 6349

As Amended by House, March 4, 2016

Title: An act relating to public funds and deposits.

Brief Description: Concerning public funds and deposits.

Sponsors: Senators Benton and Mullet; by request of State Treasurer.

Brief History:

Committee Activity: Financial Institutions & Insurance: 1/20/16 [DP].

Passed Senate: 2/16/16, 49-0.

Passed House: 3/04/16, 93-4.

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: Do pass.

Signed by Senators Benton, Chair; Angel, Vice Chair; Mullet, Ranking Minority Member; Fain, Hobbs, Litzow, Nelson and Pedersen.

Staff: Shani Bauer (786-7468)

Background: The Public Deposit Protection Commission (Commission) is comprised of the State Treasurer, Governor, and Lieutenant Governor. The Commission administers a program to ensure public funds deposited in banks and thrifts are protected if a financial institution becomes insolvent. The Commission approves which banks and thrifts can hold state and local government deposits and monitors collateral to secure uninsured public deposits when deposits exceed the amount insured by the Federal Deposit Insurance Corporation (FDIC). The standard insurance amount through the FDIC is \$250,000 per depositor, per insured bank.

Summary of Engrossed Bill: Letters of credit qualify as eligible collateral for public deposits. When letters of credit are to be held by third parties and when they may need to be held instead by the commission administrator at the State Treasurer's office is clarified. Investment deposits do not include time deposits represented by a transferable or negotiable certificate, instrument, passbook, or statement, or by book entry or otherwise.

The definition of "public depository" is modified to recognize that credit unions have tax-exempt status and, under certain circumstances, may be utilized as a public depository.

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.

References to the Federal Home Loan Bank - Seattle are replaced with a generic reference to a federal home loan bank. References to the office of thrift supervision are deleted.

Appropriation: None.

Fiscal Note: Available.

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 is a very technical bill making cleanup and technical corrections to the public deposit statute and removing obsolete language.

Persons Testifying: PRO: Wolf Opitz, State Treasurer's Office.

Persons Signed In To Testify But Not Testifying: No one.

House Amendment(s): The provisions of SHB 2936 are amended into ESB 6349.

The State Treasurer and higher education institutions are broadly authorized to invest in:

- bonds of the state of Washington and local government bonds with one of the three highest credit ratings of a nationally recognized rating agency;
- general obligation bonds of another state or local governments of another state with similarly high credit ratings; registered warrants of a local government in the same county as the government making the investment;
- certificates, notes, or bonds of the United States, any corporation wholly owned by the United States, or obligations issued or guaranteed by supranational institutions that have the United States as its largest shareholder; and
- bankers' acceptances, commercial paper, or corporate notes purchased on the secondary market.

Local governments are similarly authorized, but may invest in Washington and local government bonds without one of the three highest rating of a nationally recognized rating agency. Commercial paper and corporate notes must adhere to the State Investment Board investment policies to be eligible for local government, the State Treasurer, or higher education institutions investment.

The investment authority granted to higher education institutions in the bill does not limit the authority already provided in the laws pertaining to the University of Washington, the Washington State University, regional universities, The Evergreen State College, and the community and technical colleges.

Money market funds and certain types of mutual funds are eliminated from the definitions in the general laws authorizing investment of public funds, and changes are made to the definition of "state" for investment purposes to mean any state in the United States other than the state of Washington. The authority for the state and local governments to invest in any investments

authorized by law for the state or any other local government is also eliminated. Local government authority to make investments specifically authorized for those entities is not limited by the repeal.

Authority for the state of Washington and any subdivision or local government to invest in debt secured by mortgages insured by the Federal Housing Administrator, or in bonds of the Home Owner's Loan Corporation is eliminated.

Authority for the State of Washington and any subdivision or local government to invest in notes, bonds, or debentures of savings and loan associations, banks, mutual savings banks, savings and loan service corporations, and corporate mortgage companies is eliminated.

The Higher Education Facilities Authority is granted the authority to invest funds held in reserve that are not required for immediate disbursement. The authority of the State Finance Committee to administer and adopt rules relating to the investment of local government funds laws is repealed.