
HOUSE BILL 2936

State of Washington 64th Legislature 2016 Regular Session

By Representatives Senn and Chandler; by request of State Treasurer

Read first time 01/28/16. Referred to Committee on Appropriations.

1 AN ACT Relating to public investments; amending RCW 39.59.010,
2 39.59.020, 39.60.010, 39.60.020, 39.60.030, 39.60.040, 39.60.050, and
3 43.84.080; reenacting and amending RCW 43.250.020; adding a new
4 section to chapter 39.59 RCW; adding a new section to chapter 28B.10
5 RCW; and repealing RCW 39.59.030 and 43.250.090.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

7 **Sec. 1.** RCW 39.59.010 and 2015 c 225 s 50 are each amended to
8 read as follows:

9 Unless the context clearly requires otherwise, the definitions in
10 this section apply throughout this chapter.

11 (1) "Bond" means any agreement which may or may not be
12 represented by a physical instrument, including but not limited to
13 bonds, notes, warrants, or certificates of indebtedness, that
14 evidences an obligation under which the issuer agrees to pay a
15 specified amount of money, with or without interest, at a designated
16 time or times either to registered owners or bearers.

17 (2) "Local government" means any county, city, town, special
18 purpose district, political subdivision, municipal corporation, or
19 quasi-municipal corporation, including any public corporation,
20 authority, or other instrumentality created by such an entity.

1 (3) (~~"Money market fund" means a mutual fund the portfolio which~~
2 ~~consists of only bonds having maturities or demand or tender~~
3 ~~provisions of not more than one year, managed by an investment~~
4 ~~advisor who has posted with the office of risk management in the~~
5 ~~department of enterprise services a bond or other similar instrument~~
6 ~~in the amount of at least five percent of the amount invested in the~~
7 ~~fund pursuant to RCW 39.59.030 (2) or (3).~~

8 (4) ~~"Mutual fund" means a diversified mutual fund registered with~~
9 ~~the federal securities and exchange commission and which is managed~~
10 ~~by an investment advisor with assets under management of at least~~
11 ~~five hundred million dollars and with at least five years' experience~~
12 ~~in investing in bonds authorized for investment by this chapter and~~
13 ~~who has posted with the office of risk management in the department~~
14 ~~of enterprise services a bond or other similar instrument in the~~
15 ~~amount of at least five percent of the amount invested in the fund~~
16 ~~pursuant to RCW 39.59.030(1).~~

17 (5)) "State" includes (~~(a state, agencies, authorities, and~~
18 ~~instrumentalities of a state, and public corporations created by a~~
19 ~~state or agencies, authorities, or instrumentalities of a state)) any~~
20 ~~state in the United States, other than the state of Washington.~~

21 **Sec. 2.** RCW 39.59.020 and 1988 c 281 s 2 are each amended to
22 read as follows:

23 (~~In addition to any other investment authority granted by law~~
24 ~~and notwithstanding any provision of law to the contrary, the state~~
25 ~~of Washington and)) (1) Local governments in the state of Washington
26 are authorized to invest their funds and money in their custody or
27 possession, eligible for investment, in(~~

28 ~~(1) Bonds of the state of Washington and any local government in~~
29 ~~the state of Washington, which bonds have at the time of investment~~
30 ~~one of the three highest credit ratings of a nationally recognized~~
31 ~~rating agency;~~

32 ~~(2) General obligation bonds of a state other than the state of~~
33 ~~Washington and general obligation bonds of a local government of a~~
34 ~~state other than the state of Washington, which bonds have at the~~
35 ~~time of investment one of the three highest credit ratings of a~~
36 ~~nationally recognized rating agency;~~

37 ~~(3) Subject to compliance with RCW 39.56.030, registered warrants~~
38 ~~of a local government in the same county as the government making the~~
39 ~~investment; or~~

1 ~~(4) Any investments authorized by law for the treasurer of the~~
2 ~~state of Washington or any local government of the state of~~
3 ~~Washington other than a metropolitan municipal corporation but,~~
4 ~~except as provided in chapter 39.58 RCW, such investments shall not~~
5 ~~include certificates of deposit of banks or bank branches not located~~
6 ~~in the state of Washington)) investments authorized by this chapter.~~

7 (2) Nothing in this section is intended to limit or otherwise
8 restrict a local government from investing in additional authorized
9 investments if that local government has specific authority to do so.

10 NEW SECTION. Sec. 3. A new section is added to chapter 39.59
11 RCW to read as follows:

12 Any local government in the state of Washington may invest in:

13 (1) Bonds of the state of Washington and any local government in
14 the state of Washington, which bonds have at the time of investment
15 one of the three highest credit ratings of a nationally recognized
16 rating agency;

17 (2) General obligation bonds of a state and general obligation
18 bonds of a local government of a state, which bonds have at the time
19 of investment one of the three highest credit ratings of a nationally
20 recognized rating agency;

21 (3) Subject to compliance with RCW 39.56.030, registered warrants
22 of a local government in the same county as the government making the
23 investment;

24 (4) Certificates, notes, or bonds of the United States, or other
25 obligations of the United States or its agencies, or of any
26 corporation wholly owned by the government of the United States; or
27 United States dollar denominated bonds, notes, or other obligations
28 that are issued or guaranteed by supranational institutions, provided
29 that, at the time of investment, the institution has the United
30 States government as its largest shareholder;

31 (5) Federal home loan bank notes and bonds, federal land bank
32 bonds and federal national mortgage association notes, debentures and
33 guaranteed certificates of participation, or the obligations of any
34 other government sponsored corporation whose obligations are or may
35 become eligible as collateral for advances to member banks as
36 determined by the board of governors of the federal reserve system;

37 (6) Bankers' acceptances purchased on the secondary market;

38 (7) Commercial paper purchased in the secondary market, provided
39 that any local government of the state of Washington that invests in

1 such commercial paper must adhere to the investment policies and
2 procedures adopted by the state investment board; and

3 (8) Corporate notes purchased on the secondary market, provided
4 that any local government of the state of Washington that invests in
5 such notes must adhere to the investment policies and procedures
6 adopted by the state investment board.

7 NEW SECTION. **Sec. 4.** RCW 39.59.030 (Authorized investments—
8 Mutual funds and money market funds) and 1988 c 281 s 3 are each
9 repealed.

10 **Sec. 5.** RCW 39.60.010 and 1939 c 32 s 1 are each amended to read
11 as follows:

12 Notwithstanding the provisions of any other statute of the state
13 of Washington to the contrary, it shall be lawful (~~for the state of~~
14 ~~Washington and any of its departments, institutions and agencies,~~
15 ~~municipalities, districts, and any other political subdivision of the~~
16 ~~state, or any political or public corporation of the state, or~~) for
17 any insurance company, savings and loan association, or for any bank,
18 trust company or other financial institution, operating under the
19 laws of the state of Washington, or for any executor, administrator,
20 guardian or conservator, trustee or other fiduciary to invest its
21 funds or the moneys in its custody or possession, eligible for
22 investment, in notes or bonds secured by mortgage which the Federal
23 Housing Administrator has insured or has made a commitment to insure
24 in obligations of national mortgage associations, in debentures
25 issued by the Federal Housing Administrator, and in the bonds of the
26 Home Owner's Loan Corporation, a corporation organized under and by
27 virtue of the authority granted in H.R. 5240, designated as the Home
28 Owner's Loan Act of 1933, passed by the congress of the United States
29 and approved June 13, 1933, and in bonds of any other corporation
30 which is or hereafter may be created by the United States, as a
31 governmental agency or instrumentality.

32 **Sec. 6.** RCW 39.60.020 and 1933 ex.s. c 37 s 2 are each amended
33 to read as follows:

34 Notwithstanding the provisions of any other statute of the state
35 of Washington to the contrary, it shall be also lawful (~~for the~~
36 ~~state of Washington and any of its departments, institutions and~~
37 ~~agencies, municipalities, districts, and any other political~~

1 ~~subdivisions of the state, or any political or public corporation of~~
2 ~~the state, or~~) for any insurance company, savings and loan
3 association, building and loan association, or for any bank, trust
4 company or other financial institution, operating under the laws of
5 the state of Washington, or for any executor, administrator, guardian
6 or conservator, trustee or other fiduciary, to exchange any
7 mortgages, contracts, judgments or liens owned or held by it, for the
8 bonds of the Home Owners' Loan Corporation, a corporation organized
9 under and by virtue of the authority granted in H.R. 5240, designated
10 as The Home Owners' Loan Act of 1933, passed by the congress of the
11 United States and approved June 13, 1933, or for the bonds of any
12 other corporation which is or hereafter may be created by the United
13 States as a governmental agency or instrumentality; and to accept
14 said bonds at their par value in any such exchange.

15 **Sec. 7.** RCW 39.60.030 and 1939 c 32 s 2 are each amended to read
16 as follows:

17 Wherever, by statute of this state, collateral is required as
18 security for the deposit of (~~public or other~~) funds; or deposits
19 are required to be made with any public official or department; or an
20 investment of capital or surplus, or a reserve or other fund is
21 required to be maintained consisting of designated securities, the
22 bonds and other securities herein made eligible for investment shall
23 also be eligible for such purpose.

24 **Sec. 8.** RCW 39.60.040 and 1967 ex.s. c 48 s 1 are each amended
25 to read as follows:

26 The obligations issued pursuant to said Federal Home Loan Bank
27 Act and to said Title IV of the National Housing Act as such acts are
28 now or hereafter amended, and the shares, deposits or accounts of any
29 institution which has the insurance protection provided by Title IV
30 of the National Housing Act, as now or hereafter amended, may be used
31 at face value or withdrawal value, and bonds or other interest
32 bearing obligations as to which the payment of some but less than the
33 full principal and interest is guaranteed by the United States of
34 America or any agency thereof may be used to the extent of the
35 portion so guaranteed, wherever, by statute of this state or
36 otherwise, collateral is required as security for the deposit of
37 (~~public or other~~) funds, or deposits are required to be made with
38 any public official or department, or an investment of capital or

1 surplus, or a reserve or other fund, is required to be maintained
2 consisting of designated security, or wherever by statute of this
3 state or otherwise, any surety, whether personal, corporate, or
4 otherwise, or any collateral or security, is required or permitted
5 for any purpose, including without limitation on the generality of
6 the foregoing, any bond, recognizance, or undertaking.

7 **Sec. 9.** RCW 39.60.050 and 1970 ex.s. c 93 s 1 are each amended
8 to read as follows:

9 Notwithstanding the provisions of any other statute of the state
10 of Washington to the contrary, it shall be lawful (~~for the state of~~
11 ~~Washington and any of its departments, institutions and agencies,~~
12 ~~municipalities, districts, and any other political subdivision, or~~
13 ~~any political or public corporation of the state, or~~) for any
14 executor, administrator, guardian, or conservator, trustee or other
15 fiduciary, to invest its funds or the moneys in its custody or
16 possession, eligible for investment, in notes, bonds, or debentures
17 of savings and loan associations, banks, mutual savings banks,
18 savings and loan service corporations operating with approval of the
19 federal home loan bank, and corporate mortgage companies: PROVIDED,
20 That the notes, bonds or debentures are rated not less than "A" by a
21 nationally recognized rating agency, or are insured or guaranteed by
22 an agency of the federal government or by private insurer authorized
23 to do business in the state: PROVIDED FURTHER, That the notes, bonds
24 and debentures insured or guaranteed by a private insurer shall also
25 be backed by a pool of mortgages equal to the amount of the notes,
26 bonds or debentures.

27 **Sec. 10.** RCW 43.84.080 and 1982 c 148 s 1 are each amended to
28 read as follows:

29 Wherever there is in any fund or in cash balances in the state
30 treasury more than sufficient to meet the current expenditures
31 properly payable therefrom, the state treasurer may invest or
32 reinvest such portion of such funds or balances as the state
33 treasurer deems expedient in the following (~~defined securities or~~
34 ~~classes of investments~~):

35 (1) Certificates, notes, or bonds of the United States, or other
36 obligations of the United States or its agencies, or of any
37 corporation wholly owned by the government of the United States or
38 United States dollar denominated bonds, notes, or other obligations

1 that are issued or guaranteed by supranational institutions, provided
2 that, at the time of investment, the institution has the United
3 States government as its largest shareholder;

4 (2) In state, county, municipal, or school district bonds, notes,
5 or in warrants of taxing districts of the state. Such bonds and
6 warrants shall be only those found to be within the limit of
7 indebtedness prescribed by law for the taxing district issuing them
8 and to be general obligations. The state treasurer may purchase such
9 bonds or warrants directly from the taxing district or in the open
10 market at such prices and upon such terms as it may determine, and
11 may sell them at such times as it deems advisable;

12 ~~((In motor vehicle fund warrants when authorized by agreement~~
13 ~~between the state treasurer and the department of transportation~~
14 ~~requiring repayment of invested funds from any moneys in the motor~~
15 ~~vehicle fund available for state highway construction;~~

16 ~~(4))~~ In federal home loan bank notes and bonds, federal land
17 bank bonds and federal national mortgage association notes,
18 debentures and guaranteed certificates of participation, or the
19 obligations of any other government sponsored corporation whose
20 obligations are or may become eligible as collateral for advances to
21 member banks as determined by the board of governors of the federal
22 reserve system;

23 ~~((5))~~ (4) Bankers' acceptances purchased on the secondary
24 market;

25 ~~((6) Negotiable certificates of deposit of any national or state~~
26 ~~commercial or mutual savings bank or savings and loan association~~
27 ~~doing business in the United States: PROVIDED, That the treasurer~~
28 ~~shall adhere to the investment policies and procedures adopted by the~~
29 ~~state investment board;~~

30 ~~(7))~~ (5) Commercial paper~~((:—PROVIDED,))~~ purchased in the
31 secondary market, provided that the state treasurer ((shall)) adheres
32 to the investment policies and procedures adopted by the state
33 investment board;

34 (6) General obligation bonds of any state and general obligation
35 bonds of local governments of other states, which bonds have at the
36 time of investment one of the three highest credit ratings of a
37 nationally recognized rating agency; and

38 (7) Corporate notes purchased on the secondary market, provided
39 that the state treasurer adheres to the investment policies and
40 procedures adopted by the state investment board.

1 **Sec. 11.** RCW 43.250.020 and 2010 1st sp.s. c 10 s 2 are each
2 reenacted and amended to read as follows:

3 Unless the context clearly requires otherwise, the definitions in
4 this section shall apply throughout this chapter.

5 (1) "Authorized tribal official" means any officer or employee of
6 a qualifying federally recognized tribe who has been expressly
7 designated by tribal constitution, ordinance, or resolution as the
8 officer having the authority to invest the funds of the qualifying
9 federally recognized tribe or federally recognized political
10 subdivisions thereof.

11 (2) "Eligible governmental entity" means any county, city, town,
12 municipal corporation, quasi-municipal corporation, public
13 corporation, political subdivision, or special purpose taxing
14 district in the state, an instrumentality of any of the foregoing
15 governmental entities created under chapter 39.34 RCW, any agency of
16 state government, any entity issuing or executing and delivering
17 bonds or certificates of participation with respect to financing
18 contracts approved by the state finance committee under RCW
19 39.94.040, and any qualifying federally recognized tribe or federally
20 recognized political subdivisions thereof.

21 (3) "Financial officer" means the board-appointed treasurer of a
22 community or technical college district, the state board for
23 community and technical colleges, or a public four-year institution
24 of higher education.

25 (4) "Funds" means:

26 (a) Funds of an eligible governmental entity under the control of
27 or in the custody of any government finance official or local funds,
28 as defined by the office of financial management publication
29 "Policies, Regulations and Procedures," under the control of or in
30 the custody of a financial officer by virtue of the official's
31 authority that are not immediately required to meet current
32 demands((+

33 ~~(b) State funds deposited in the investment pool by the state~~
34 ~~treasurer that are the proceeds of bonds, notes, or other evidences~~
35 ~~of indebtedness authorized by the state finance committee under~~
36 ~~chapter 39.42 RCW, or the proceeds of bonds or certificates of~~
37 ~~participation with respect to financing contracts approved by the~~
38 ~~state finance committee under RCW 39.94.040, or payments pursuant to~~
39 ~~financing contracts under chapter 39.94 RCW, when the investments are~~

1 ~~made in order to comply with the Internal Revenue Code of 1986, as~~
2 ~~amended~~); and

3 ((~~e~~)) (b) Tribal funds under the control of or in the custody
4 of any qualifying federally recognized tribe or federally recognized
5 political subdivisions thereof, where the tribe warrants that the use
6 or disposition of the funds are either not subject to, or are used
7 and deposited with federal approval, and where the tribe warrants
8 that the funds are not immediately required to meet current demands.

9 (5) "Government finance official" means any officer or employee
10 of an eligible governmental entity who has been designated by statute
11 or by local charter, ordinance, resolution, or other appropriate
12 official action, as the officer having the authority to invest the
13 funds of the eligible governmental entity. However, the county
14 treasurer shall be deemed the only government finance official for
15 all public agencies for which the county treasurer has exclusive
16 statutory authority to invest the funds thereof.

17 (6) "Public funds investment account" or "investment pool" means
18 the aggregate of all funds as defined in subsection (4) of this
19 section that are placed in the custody of the state treasurer for
20 investment and reinvestment.

21 (7) "Qualifying federally recognized tribe or federally
22 recognized political subdivisions thereof" means any federally
23 recognized tribe, located in the state of Washington, authorized and
24 empowered by its constitution or ordinance to invest its surplus
25 funds pursuant to this section, and whose authorized tribal official
26 has executed a deposit agreement with the office of the treasurer.

27 NEW SECTION. **Sec. 12.** RCW 43.250.090 (Administration of chapter
28 —Rules) and 1986 c 294 s 9 are each repealed.

29 NEW SECTION. **Sec. 13.** A new section is added to chapter 28B.10
30 RCW to read as follows:

31 (1) The following definitions apply throughout this section
32 unless the context clearly requires otherwise.

33 (a) "Bond" means any agreement which may or may not be
34 represented by a physical instrument, including but not limited to
35 bonds, notes, warrants, or certificates of indebtedness, that
36 evidences an obligation under which the issuer agrees to pay a
37 specified amount of money, with or without interest, at a designated
38 time or times either to registered owners or bearers.

1 (b) "Local government" means any county, city, town, special
2 purpose district, political subdivision, municipal corporation, or
3 quasi-municipal corporation, including any public corporation,
4 authority, or other instrumentality created by such an entity.

5 (c) "State" includes any state in the United States, other than
6 the state of Washington.

7 (2) In addition to any other statutorily authorized investments
8 permissible pursuant to chapters 28B.20, 28B.30, 28B.35, 28B.40, and
9 28B.50 RCW, institutions of higher education may invest in:

10 (a) Bonds of the state of Washington and any local government in
11 the state of Washington, which bonds have at the time of investment
12 one of the three highest credit ratings of a nationally recognized
13 rating agency;

14 (b) General obligation bonds of a state and general obligation
15 bonds of a local government of a state, which bonds have at the time
16 of investment one of the three highest credit ratings of a nationally
17 recognized rating agency;

18 (c) Subject to compliance with RCW 39.56.030, registered warrants
19 of a local government in the same county as the institution of higher
20 education making the investment;

21 (d) Certificates, notes, or bonds of the United States, or other
22 obligations of the United States or its agencies, or of any
23 corporation wholly owned by the government of the United States; or
24 United States dollar denominated bonds, notes, or other obligations
25 that are issued or guaranteed by supranational institutions, provided
26 that, at the time of investment, the institution has the United
27 States government as its largest shareholder;

28 (e) Federal home loan bank notes and bonds, federal land bank
29 bonds and federal national mortgage association notes, debentures and
30 guaranteed certificates of participation, or the obligations of any
31 other government sponsored corporation whose obligations are or may
32 become eligible as collateral for advances to member banks as
33 determined by the board of governors of the federal reserve system;

34 (f) Bankers' acceptances purchased on the secondary market;

35 (g) Commercial paper purchased in the secondary market, provided
36 that any institution of higher education that invests in such
37 commercial paper must adhere to the investment policies and
38 procedures adopted by the state investment board; and

39 (h) Corporate notes purchased on the secondary market, provided
40 that any institution of higher education that invests in such notes

1 must adhere to the investment policies and procedures adopted by the
2 state investment board.

3 (3) Nothing in this section limits the investment authority
4 granted pursuant to chapters 28B.20, 28B.30, 28B.35, 28B.40, and
5 28B.50 RCW.

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