
Business & Financial Services Committee

HB 2059

Brief Description: Establishing the Washington investment trust.

Sponsors: Representatives Frame, Ortiz-Self, Dolan, Doglio, Gregerson, Goodman, Orwall, Jinkins, Stonier, Sells, Appleton, Chapman, Stanford, Tharinger, Kloba, Ormsby, Santos and Pollet.

Brief Summary of Bill

- Establishes the Washington Investment Trust (Trust) to serve as a depository for state monies and federal transportation funds.
- Establishes a Trust Commission to be the primary governing authority of the Trust.
- Authorizes the Trust to invest deposited funds to facility financing and construction of public infrastructure.

Hearing Date: 2/15/17

Staff: Robbi Kesler (786-7153).

Background:

The State Treasurer (Treasurer) is responsible for the management of state funds including managing the cash flow needs of the state, investing the state's operating funds, and issuing and managing state debt. The Treasurer is also a member of several boards and commissions, including the State Investment Board, in order to provide guidance and management of long-term debt and investments.

Summary of Bill:

The Washington Investment Trust (Trust) is created to serve as a depository for state money and federal transportation funds. The Trust is authorized to manage and invest state monies in order to facilitate financing and construction of new and existing public infrastructure systems.

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.

The Trust Transition Board (Board) is established to develop and make recommendations to the Commission regarding the start-up business plan for the Trust including plans and timelines, an initial capital recommendation, and options for capitalizing. The Board members will include four state legislators, including two Representatives and two Senators, and seven citizen members. The Board's citizen members will be appointed by the President of the Senate and the Speaker of the House.

The Trust Commission (Commission) is established as the primary governing authority of the Trust. The Commission consists of the Governor, Lieutenant Governor, Attorney General, Treasurer, and Auditor. The Commission must begin operations by July 1, 2018. The Commission may adopt rules regarding the safety and soundness of the Trust, transparency requirements, ethics and conflicts of interest, and other rules as needed. The Commission may delegate duties and powers necessary to carry on the business and enforcement to the Trust president. The Trust must submit quarterly reports to the Commission. By December 1st of each year, the Commission must make an annual report to the Legislature on the affairs of the Trust.

The Treasurer and local government agencies must deposit state monies and federal transportation funds into the Trust in accordance with the timeframe and guidelines determined by the Commission. The Commission must review state accounts that are not part of the Treasury and make recommendations to the Governor and the legislature as to which accounts should be deposited in the Trust. The Trust may accept deposits from any public source, including federal funds.

The Commission and the Treasurer must jointly determine the amount of funds necessary to meet the operational needs of state government. The Treasurer retains authority to manage and invest the amount of funds necessary to meet the operational needs of state government.

All deposits in the Trust are guaranteed by the state rather than insured by the Federal Deposit Insurance Commission. Administrative and strategic planning expenses of the Trust are funded from its earnings, subject to legislative authorization. The Trust is exempt from the requirements of the Public Deposit Protection Commission. The Trust must maintain capital adequacy and other standard indicators of safety and soundness monitored by the Department of Financial Institutions (DFI). The DFI must examine the Trust, and the State Auditor must conduct an annual audit of the Trust's accounts and financial transactions.

An Investment Trust Advisory Board (Advisory Board) is created consisting of 11 members to review the Trust's operations and make recommendations regarding trust management and policies. The Governor shall appoint 11 members to the Advisory Board. The members should have experience in trust activities, and at least six members have experience in finance. Members serve a three-year term at the pleasure of the Governor.

The Trust may not make a loan to a Board member, the President, or employees. The Trust is exempt from all fees and taxes levied by the state or its subdivisions.

Various statutes governing banking public deposits are amended to include the Trust and Trust activities.

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.