

SENATE BILL REPORT

SB 5306

As of January 30, 2019

Title: An act relating to creating the capacity for the state treasurer's office to provide separately managed investment portfolios to eligible governmental entities.

Brief Description: Creating the capacity for the state treasurer's office to provide separately managed investment portfolios to eligible governmental entities.

Sponsors: Senators Mullet, Braun, Short, Takko, Hobbs, Wagoner and Wilson, L.; by request of State Treasurer.

Brief History:

Committee Activity: Ways & Means: 1/29/19.

Brief Summary of Bill

- Creates a trust fund for separately managed local governmental funds.
- Creates a trust fund for separately managed state agency funds.
- Creates a non-appropriated, separately managed state treasurer's service account.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Sarian Scott (786-7729)

Background: The Local Government Investment Pool (LGIP) is a voluntary investment vehicle operated by the Office of the State Treasurer (OST). Over 530 local governments including cities, counties, public universities, and ports have participated in the pool since in 1986 to provide safe, liquid, and competitive investment options for local government entities. As of January 2019, the pooled fund investment portfolio has \$17 billion under management. Historically, the 30-day yield on earnings have been around 2 percent.

In 2018, OST initiated a separately managed portfolio pilot project with Pierce County. The purpose of the pilot was to give a local governmental entity—Pierce County—the flexibility to invest in slightly longer term investments that had the potential for greater returns while also increasing its risk exposure through the utilization of medium-term government bond

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.

fund investing. In order to accurately track gains and losses, the OST and the Office of Financial Management (OFM) created a new account separate from the LGIP to ensure accurate and separate accounting.

As part of the pilot project, OST is investing funds to conform with federal, state, and other legal requirements while managing the investments in accordance with parameters set forth in an interagency agreement. Eligible and suitable investments are only those securities and deposits authorized by statute including:

- obligations of the United States government;
- obligations of United States government agencies;
- United States dollar denominated obligations of supranational institutions;
- obligations of government sponsored enterprises which are or may become eligible as collateral for advances to member banks; and
- the LGIP.

The maximum single maturity of an investment cannot exceed ten years. The maximum modified duration of an investment cannot exceed 3.5 years. Investments that are subject to high price sensitivity or reduced marketability cannot exceed 15 percent of the daily balance of the portfolio.

The OST has three reporting requirements;

- holdings report—to include maturity effective duration, security descriptions, book yields, and mark to market;
- transaction report—to include capital gains/losses; and
- a earnings report.

Summary of Bill: The OST is authorized to enter into agreements with eligible governmental entities. Each entity will have a separately managed investment portfolio. The agreement must allow for service charges and must include time periods for investments, as well as provisions for orderly withdrawals of funds.

Three accounts are created:

- Local Governmental Entity Investment Account;
- State Agency Investment Account; and
- State Treasurer's Service Account

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: We are here in support of SB-5306. Currently the state treasurer has a program called the local government investment pool, which over 500 local governments currently use. This is a longer term portfolio program for the same local governments. This bill will allow our local partners to take advantage of our

investment expertise and capacity in the management of a longer term portfolio. This is just an alternative for local governments. They do not have to do this program. It is not mandatory. It is a pay as you go so they enter the contract and they can pay their own way, through a fee that would be charged.

Persons Testifying: PRO: Shawn Myers, Assistant State Treasurer; Catherine Mele, Office of the State Treasurer.

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