S-1593.1

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**SUBSTITUTE SENATE BILL 5466**

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**State of Washington 69th Legislature 2025 Regular Session**

**By** Senate Environment, Energy & Technology (originally sponsored by Senators Shewmake, Slatter, Conway, Nobles, and Saldaña)

AN ACT Relating to improving reliability and capacity of the electric transmission system in Washington state; reenacting and amending RCW 43.84.092 and 43.84.092; adding a new section to chapter 43.330 RCW; adding new sections to chapter 43.21C RCW; adding a new section to chapter 80.28 RCW; adding a new chapter to Title 43 RCW; creating a new section; providing an effective date; and providing an expiration date.

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

NEW SECTION. **Sec.**  (1) The legislature finds that Washington has committed to decarbonizing its electricity system so that it is carbon neutral by 2030 and carbon free by 2045. Achieving those goals includes retiring coal and gas resources, adding new generation from renewable and nonemitting resources, and leveraging energy storage technologies. At the same time, demand for electricity is increasing significantly due to the electrification of vehicles, home heating and cooling, and manufacturing, and the expansion of the information services sector in Washington. There are significant federal, state, and private investments in clean energy development, including wind, solar, and battery storage, that support decarbonization goals and supply new electrical load. However, Washington's existing transmission system lacks the capacity to accommodate the growing demand for clean electricity.

(2) The legislature also finds that extreme weather events and changes to seasonal highs and lows puts new strain on the existing transmission system and threatens reliability. Extreme weather events such as high-speed winds, floods, freezing, and heat domes can damage grid infrastructure and cause disruptions to the power supply. Warmer summers and colder winters increase the need for heating and cooling and thereby intensify and extend periods of peak demand.

(3) The legislature further finds that to maintain reliability and build resilience, Washington's transmission system needs to be expanded and upgraded to access diverse portfolios of clean and reliable energy across the region, including solar resources in the southwest and wind resources across the mountain west. A more robust and updated transmission system will support affordability and reliability goals by enabling the efficient dispatch of least-cost resources across the region.

(4) Therefore, it is the intent of the legislature to create the Washington electric transmission authority to improve transmission reliability, resilience, and affordability. The Washington electric transmission authority will serve as a centralized body to achieve these goals by engaging in long-term planning; providing development transmission services; coordinating siting and permitting; leveraging research; and engaging with utilities, transmission developers, local jurisdictions, state agencies, regional entities, the federal government, and affected communities. The legislature intends for the authority to achieve the following goals:

(a) Improve reliability and resilience, including during extreme weather events;

(b) Increase access to low-cost renewable energy;

(c) Achieve clean electricity requirements and greenhouse gas emissions limits;

(d) Support economic growth; and

(e) Maintain affordable energy rates.

**PART I - WASHINGTON ELECTRIC TRANSMISSION AUTHORITY**

NEW SECTION. **Sec.**  The definitions in this section apply throughout this chapter unless the context clearly requires otherwise.

(1) "Authority" means the Washington electric transmission authority.

(2) "Board of directors" means the authority's board of directors.

(3) "Department" means the department of commerce.

(4) "Grid-enhancing technologies" means hardware and software that increases the capacity of electrical lines and improves the efficiency, reliability, and safety of the grid. Grid-enhancing technologies include, but are not limited to, dynamic line rating systems, advanced power flow control systems, and optimization software.

(5) "Nonwires alternative" means any electrical grid investment that is intended to defer or remove the need to construct or upgrade components of a distribution and/or transmission system.

(6) "Reconductoring with advanced conductors" means replacing the existing electric conductor with a conductor that increases the capacity of the electrical grid and improves efficiency, reliability, and safety. Advanced conductors may include, but are not limited to, conductors that have electrical resistance of at least 10 percent lower than existing conductors of a similar diameter, high temperature low sag conductors, high tensile strength conductors, or tree wire conductors.

NEW SECTION. **Sec.**  (1) The Washington electric transmission authority is hereby created.

(2) The purpose of the authority is to:

(a) Support the expeditious and efficient expansion of new electric transmission capacity within the state that are prudent and needed to serve Washington customers;

(b) Support the development of community microgrids, distributed energy resources, and energy conservation;

(c) Pursue cost-effective nonwire alternatives to increase the capacity of existing electrical infrastructure;

(d) Be a statewide resource for developing and coordinating upgrades to existing transmission lines;

(e) Collaborate with electric utilities, independent transmission developers, local jurisdictions, neighboring states, regional entities, and the federal government to develop interstate and regional transmission resources;

(f) Evaluate opportunities for regional wholesale markets; and

(g) Support community and economic development.

(3) To the greatest extent practicable, when carrying out its duties, the authority must seek to:

(a) Protect cultural and natural resources;

(b) Avoid impacts to overburdened communities and vulnerable populations;

(c) Support good jobs;

(d) Maximize the use of existing rights-of-way for transmission development; and

(e) Mitigate wildfire risk.

(4) The authority must employ an executive director, who must be appointed by the board of directors created under section 4 of this act. Approval by an affirmative vote of at least five members of the board is required for any decisions regarding employment of the executive director. At the end of the first year of each three-year term, the board must consider an extension of the executive director's term by one year. The board may fix the compensation of the executive director. The executive director must employ staff sufficient to accomplish the purposes of this act.

(5) The authority must update the transmission needs assessment developed by the department under section 5 of this act by October 30, 2031, and every five years thereafter.

(6) The authority must submit a report of its activities to the governor and to the appropriate committees of the legislature by December 1, 2025, and annually every September 1st thereafter. The report must include operating and financial statements covering the operations of the authority for the previous fiscal year.

NEW SECTION. **Sec.**  (1) A board of directors is created to hire the executive director and advise the authority on policies that are consistent with the purposes of this chapter.

(2) The nine members of the board are as follows:

(a) The director of the department, or the director's designee;

(b) One member appointed by the governor with special knowledge of the public utility industry;

(c) One member appointed by the governor with knowledge of land use planning and law and local permitting processes;

(d) One member appointed by the governor with expertise in clean energy development;

(e) One member appointed by the governor with expertise in ratepayer protection;

(f) One member appointed by the governor representing electrical workers with expertise in building electrical transmissions;

(g) One member appointed by the governor with experience financing large infrastructure projects;

(h) One member appointed by the governor with knowledge of wildlife conservation and land use policies; and

(i) One member appointed by the governor from a federally recognized Indian tribe.

(3) No member must represent a person that owns or operates electric generating or transmission facilities.

(4) Members of the board appointed by the governor must serve four-year terms. However, the governor must stagger the terms of six of the initial appointees for terms of one, two, and three years. At the end of the term, these members may be reappointed by the governor, or the governor may choose to appoint a new member.

(5) Decisions of the board require a simple majority vote of all the members on the board.

(6) Members of the board must elect a chair from among its membership to serve for a two-year period.

(7) The board must meet at least quarterly.

(8) The department must provide staff support to the board.

(9) Members of the board must serve without additional compensation but must be reimbursed for travel expenses as provided by RCW 43.03.050 and 43.03.060.

NEW SECTION. **Sec.**  A new section is added to chapter 43.330 RCW to read as follows:

(1) The department must:

(a) Develop a 20-year transmission needs assessment that identifies inefficiencies and deficits in the existing transmission system.

(i) The needs assessment must:

(A) Identify high-priority corridors that are needed to meet current and forecasted transmission demand, including whether new transmission lines could be built on existing rights-of-way;

(B) Identify investments in existing transmission lines, such as grid-enhancing technologies and reconductoring with advanced conductors, that can unlock additional capacity and improve network performance to alleviate the need for new transmission lines;

(C) Identify and evaluate nonwires alternatives that can reduce the need to build new transmission lines, such as demand response, energy storage, microgrids, and energy efficiency;

(D) Engage proactively in conversations with neighboring states to coordinate interconnection planning and development that supports regional resource adequacy and access to least-cost resources;

(E) Engage proactively in regional and interregional cost allocation discussions to develop methodologies that share the costs and benefits equitably;

(F) Coordinate with and provide transmission-related expertise to relevant state agencies;

(G) Consider opportunities to collocate transmission corridors along existing rights-of-way for other infrastructure; and

(H) Align with the state energy strategy as defined in RCW 43.21F.025.

(ii) When developing the needs assessment, the department may consider integrated resource plans developed under chapter 19.280 RCW and consult the board of directors about using existing transmission plans developed by regional or federal entities and must avoid, to the greatest extent practicable, duplicating plans or related analysis already produced by and made available by such entities.

(iii) The department must complete the first needs assessment by October 30, 2026, and then the authority must complete a needs assessment every five years thereafter;

(b) Develop a transmission system enhancement roadmap that identifies specific actions and corresponding timelines to meet the needs identified in the transmission needs assessment.

(i) The transmission system enhancement roadmap must prioritize actions based on the following criteria:

(A) The capacity for a transmission project to cost-effectively help meet Washington's clean electricity targets;

(B) Minimizing impact to natural and cultural resources on tribal lands, to the greatest extent practicable; and

(C) Minimizing environmental impact, to the greatest extent practicable.

(ii) The department must complete a transmission system enhancement roadmap along with the transmission needs assessment by October 30, 2026;

(c) Provide assistance to local governments and tribal governments that are permitting the construction and operation of electric transmission projects which includes, but is not limited to, easily accessible information on advanced transmission technologies in Washington and identifying applicable codes and ordinances that support transmission facilities for the purpose of providing frameworks that local and tribal governments may consider and adopt to suit local circumstances;

(d) Consult with bond counsel to identify the appropriate state bonding authority needed to improve capacity to develop electric transmission in Washington, including identifying the activities to be funded by electric transmission bonds. By November 1, 2025, the department must prepare request legislation to establish bonding authority for the authority.

(2) The definitions in section 2 of this act apply throughout this section unless the context clearly requires otherwise.

NEW SECTION. **Sec.**  The authority may:

(1) Adopt rules as necessary to implement this chapter;

(2) Exercise the power of eminent domain as outlined under the provisions of chapter 8.04 RCW only for land acquisition necessary to secure rights-of-way for new transmission corridors;

(3) Enter into contracts and agreements;

(4) Solicit and receive and expend gifts, grants, and donations;

(5) Apply for and accept federal loans and related assistance;

(6)(a) Enter into partnerships with public or private entities, which may include a fee schedule for services provided under a partnership; and

(b) When entering into partnerships on transmission projects:

(i) Serve as the state environmental policy act lead; and

(ii) Serve as tribal consultation lead;

(7) Engage in transmission planning activities with entities within and outside the state of Washington;

(8) Lease, purchase, accept donations of, or otherwise own, hold, improve, or use any property;

(9) Sell, lease, exchange, or otherwise dispose of any property;

(10)(a) Own electric transmission equipment and systems;

(b) Ownership of transmission facilities by the authority may not exceed the extent and duration necessary or useful to promote the public interest. Before becoming an owner or partial owners of any electrical transmission facilities, the authority must develop and publish a plan identifying:

(i) The public purposes of the authority's ownership;

(ii) The conditions that would make the authority's ownership no longer necessary for accomplishing those public purposes; and

(iii) A plan to divest the authority of ownership of the facility as soon as economically prudent once those conditions occur;

(11)(a) Select a qualified transmission builder or operator, as defined by the authority in rule, to build, finance, plan, acquire, maintain, and operate an electric transmission project;

(b) Before developing a project, the authority must adopt criteria in rule for when the authority may proceed to construction in the absence of selecting a qualified transmission builder only as a last resort in instances where the authority identifies a pressing need for a project and there is no ready and willing qualified transmission builder; and

(12) Sell a state-owned electric transmission project at any stage of development.

(a) The authority may sell a project to utility serving customers in the state of Washington, a joint operating agency formed under RCW 43.52.360, the Bonneville power administration, an independent transmission developer, or an independent system operator.

(b) Before selling a project that is not part of a partnership agreement, the authority must adopt criteria in rule for developing a transparent process including issuing a competitive request for proposals, evaluating proposals, and selecting a project buyer.

(c) The authority is not required to sell to the highest bidder. The authority must adopt criteria in rule to determine when the authority would continue developing or operating a project after receiving bids on a request for proposal if it determines, after a thorough internal examination, that it is in the best interest of the public to continue owning the project; and

(13) Adopt criteria in rule for an initial local investment commitment fee and annual local investment commitment fee for high-voltage projects that the authority develops, owns, or sells under this chapter. Rule making will provide that the fees are distributed among counties, cities, towns, and tribes in proportion to the project's impact, and that the fees are appurtenant to the project such that the assessed fees are transferred with the title if the project is sold.

NEW SECTION. **Sec.**  The electric transmission operating account is created in the state treasury. All receipts from appropriations made by the legislature, federal funds, or gifts or grants from the private sector or foundations and other sources must be deposited in the account. Moneys in the account may be spent only after appropriation. Expenditures from the account may be used only for operating cost purposes consistent with this chapter.

NEW SECTION. **Sec.**  The electric transmission capital account is created in the state treasury. All moneys received for the acquisition, sale, management, and administration of the authority's duties under this chapter for electric transmission projects including, but not limited to, proceeds from the sale of land and/or improvements, fees collected for services provided to transmission developers, local investment commitment fees, interest earned on investments in the account, and all other revenue related to electric transmission projects created or acquired pursuant to this chapter must be deposited into the account. The account is authorized to receive fund transfers and appropriations from the general fund, as well as gifts, grants, and endowments from public or private sources as may be made from time to time. Moneys in the account may be spent only after appropriation. Expenditures from the account may be used by the executive director of the authority, or the executive director's designee, to reimburse management costs incurred by the authority on electric transmission projects, for the acquisition of interests in land or other real property to be managed as electric transmission projects, and for all other nonoperating cost purposes consistent with this chapter.

NEW SECTION. **Sec.**  (1) Except where doing so would reveal critical state transmission assets or sensitive proprietary commercial information, all nonfederal providers of transmission in Washington state must endeavor to provide to the department as much information as the department deems necessary for conducting the first transmission needs assessment and transmission system enhancement roadmap and to the authority for the subsequent needs assessments outlined in this chapter.

(2) The Bonneville power administration is encouraged to provide all necessary information to the department to conduct the first transmission needs assessment and transmission system enhancement roadmap and to the authority to conduct the subsequent needs assessments outlined in this chapter.

(3) Information provided to the department or authority by transmission providers that is determined to be confidential by such transmission providers must be kept confidential by the department and authority, used only in the aggregate for the transmission needs assessment and transmission system enhancement roadmap, and is not subject to disclosure under chapter 42.56 RCW.

(4) The department or authority may not use information provided by transmission providers under this section in order to originate or develop projects already being developed by such transmission providers.

**PART II - APPLICATION OF THE STATE ENVIRONMENTAL**

**POLICY ACT TO TRANSMISSION IMPROVEMENTS**

NEW SECTION. **Sec.**  A new section is added to chapter 43.21C RCW to read as follows:

(1) The following utility-related actions are categorically exempt from compliance with this chapter:

(a) Upgrading or rebuilding existing electric powerlines as long as the actions involve:

(i) Relocations of small segments of the powerlines within an existing powerline right-of-way or within adjacent previously disturbed or developed lands; or

(ii) Widening an existing powerline right-of-way to meet current electrical standards if the widening remains within previously disturbed or developed lands and only extends into a small area beyond such lands as needed to comply with applicable electrical standards; and

(b) Upgrading an existing transmission line, within existing rights-of-way, with grid-enhancing technologies as defined in section 2 of this act.

(2) This categorical exemption does not apply to underwater powerlines.

NEW SECTION. **Sec.**  A new section is added to chapter 43.21C RCW to read as follows:

For a project that is categorically exempt under section 10 of this act, the utility must notify the department of archaeology and historic preservation created in chapter 43.334 RCW and each federally recognized Indian tribe with usual and accustomed areas and ceded treaty areas in the area where the right-of-way exists before commencing the project. The purpose of the notification and consultation required under this section is to allow the utility to determine that there are no existing archaeological, cultural, or tribal resources in the right-of-way. The department of archaeology and historic preservation may require a survey to be done in coordination with the affected federally recognized Indian tribe, must ensure that consultation with such tribes occurs, and must determine whether archaeological, cultural, or tribal resources are identified in an existing right-of-way. If any such resources are identified, the department of archaeology and historic preservation must ensure that the utility accounts for and protects the resources under chapter 27.53 RCW. Information provided by the federally recognized Indian tribe must be kept confidential and exempt from public disclosure under chapter 42.56 RCW.

**PART III - INCENTIVES FOR ELECTRIC TRANSMISSION INVESTMENT**

NEW SECTION. **Sec.**  A new section is added to chapter 80.28 RCW to read as follows:

(1) In establishing rates for each electrical company regulated under this title, the commission may allow an incentive rate of return on investment through December 31, 2040, on capital expenditures for grid-enhancing technologies and reconductoring with advanced conductors as defined in section 2 of this act that are deployed for the benefit of ratepayers on transmission owned and operated by the electrical company. The commission must consider and may adopt other policies to encourage increased deployment of electric transmission infrastructure improvements that increase the capacity of existing transmission infrastructure.

(2) An incentive rate of return on investment under this section may be allowed only if the company chooses to pursue capital investments in grid-enhancing technologies or reconductoring with advanced conductors. In the case of an incentive rate of return on investment allowed under this section, an increment of up to two percent may be added to the rate of return on common equity allowed on the company's other investments with demonstrated benefits to ratepayers.

(3) The incentive rate of return on investment authorized in subsection (2) of this section applies only to projects which have been installed after July 1, 2025.

(4) The incentive rate of return on investment increment pursuant to this section may be earned only for a period of 15 years. By December 31, 2029, the commission must report to the appropriate committees of the legislature on the use of any incentives allowed under this section, the quantifiable impacts of the incentives on electric transmission deployment, and any recommendations to the legislature about further utility investments in electric transmission.

**PART IV - MISCELLANEOUS**

**Sec.**  RCW 43.84.092 and 2024 c 210 s 4 and 2024 c 168 s 12 are each reenacted and amended to read as follows:

(1) All earnings of investments of surplus balances in the state treasury shall be deposited to the treasury income account, which account is hereby established in the state treasury.

(2) The treasury income account shall be utilized to pay or receive funds associated with federal programs as required by the federal cash management improvement act of 1990. The treasury income account is subject in all respects to chapter 43.88 RCW, but no appropriation is required for refunds or allocations of interest earnings required by the cash management improvement act. Refunds of interest to the federal treasury required under the cash management improvement act fall under RCW 43.88.180 and shall not require appropriation. The office of financial management shall determine the amounts due to or from the federal government pursuant to the cash management improvement act. The office of financial management may direct transfers of funds between accounts as deemed necessary to implement the provisions of the cash management improvement act, and this subsection. Refunds or allocations shall occur prior to the distributions of earnings set forth in subsection (4) of this section.

(3) Except for the provisions of RCW 43.84.160, the treasury income account may be utilized for the payment of purchased banking services on behalf of treasury funds including, but not limited to, depository, safekeeping, and disbursement functions for the state treasury and affected state agencies. The treasury income account is subject in all respects to chapter 43.88 RCW, but no appropriation is required for payments to financial institutions. Payments shall occur prior to distribution of earnings set forth in subsection (4) of this section.

(4) Monthly, the state treasurer shall distribute the earnings credited to the treasury income account. The state treasurer shall credit the general fund with all the earnings credited to the treasury income account except:

(a) The following accounts and funds shall receive their proportionate share of earnings based upon each account's and fund's average daily balance for the period: The abandoned recreational vehicle disposal account, the aeronautics account, the Alaskan Way viaduct replacement project account, the ambulance transport fund, the budget stabilization account, the capital vessel replacement account, the capitol building construction account, the Central Washington University capital projects account, the charitable, educational, penal and reformatory institutions account, the Chehalis basin account, the Chehalis basin taxable account, the clean fuels credit account, the clean fuels transportation investment account, the cleanup settlement account, the climate active transportation account, the climate transit programs account, the Columbia river basin water supply development account, the Columbia river basin taxable bond water supply development account, the Columbia river basin water supply revenue recovery account, the common school construction fund, the community forest trust account, the connecting Washington account, the county arterial preservation account, the county criminal justice assistance account, the covenant homeownership account, the deferred compensation administrative account, the deferred compensation principal account, the department of licensing services account, the department of retirement systems expense account, the developmental disabilities community services account, the diesel idle reduction account, the opioid abatement settlement account, the drinking water assistance account, the administrative subaccount of the drinking water assistance account, the early learning facilities development account, the early learning facilities revolving account, the Eastern Washington University capital projects account, the education construction fund, the education legacy trust account, the election account, the electric transmission capital account, the electric vehicle account, the energy freedom account, the energy recovery act account, the essential rail assistance account, The Evergreen State College capital projects account, the fair start for kids account, the family medicine workforce development account, the ferry bond retirement fund, the fish, wildlife, and conservation account, the freight mobility investment account, the freight mobility multimodal account, the grade crossing protective fund, the higher education retirement plan supplemental benefit fund, the Washington student loan account, the highway bond retirement fund, the highway infrastructure account, the highway safety fund, the hospital safety net assessment fund, the Interstate 5 bridge replacement project account, the Interstate 405 and state route number 167 express toll lanes account, the judges' retirement account, the judicial retirement administrative account, the judicial retirement principal account, the limited fish and wildlife account, the local leasehold excise tax account, the local real estate excise tax account, the local sales and use tax account, the marine resources stewardship trust account, the medical aid account, the money-purchase retirement savings administrative account, the money-purchase retirement savings principal account, the motor vehicle fund, the motorcycle safety education account, the move ahead WA account, the move ahead WA flexible account, the multimodal transportation account, the multiuse roadway safety account, the municipal criminal justice assistance account, the oyster reserve land account, the pension funding stabilization account, the perpetual surveillance and maintenance account, the pilotage account, the pollution liability insurance agency underground storage tank revolving account, the public employees' retirement system plan 1 account, the public employees' retirement system combined plan 2 and plan 3 account, the public facilities construction loan revolving account, the public health supplemental account, the public works assistance account, the Puget Sound capital construction account, the Puget Sound ferry operations account, the Puget Sound Gateway facility account, the Puget Sound taxpayer accountability account, the real estate appraiser commission account, the recreational vehicle account, the regional mobility grant program account, the reserve officers' relief and pension principal fund, the resource management cost account, the rural arterial trust account, the rural mobility grant program account, the rural Washington loan fund, the second injury fund, the sexual assault prevention and response account, the site closure account, the skilled nursing facility safety net trust fund, the small city pavement and sidewalk account, the special category C account, the special wildlife account, the state hazard mitigation revolving loan account, the state investment board expense account, the state investment board commingled trust fund accounts, the state patrol highway account, the state reclamation revolving account, the state route number 520 civil penalties account, the state route number 520 corridor account, the statewide broadband account, the statewide tourism marketing account, the supplemental pension account, the Tacoma Narrows toll bridge account, the teachers' retirement system plan 1 account, the teachers' retirement system combined plan 2 and plan 3 account, the tobacco prevention and control account, the tobacco settlement account, the toll facility bond retirement account, the transportation 2003 account (nickel account), the transportation equipment fund, the JUDY transportation future funding program account, the transportation improvement account, the transportation improvement board bond retirement account, the transportation infrastructure account, the transportation partnership account, the traumatic brain injury account, the tribal opioid prevention and treatment account, the University of Washington bond retirement fund, the University of Washington building account, the voluntary cleanup account, the volunteer firefighters' relief and pension principal fund, the volunteer firefighters' and reserve officers' administrative fund, the vulnerable roadway user education account, the Washington judicial retirement system account, the Washington law enforcement officers' and firefighters' system plan 1 retirement account, the Washington law enforcement officers' and firefighters' system plan 2 retirement account, the Washington public safety employees' plan 2 retirement account, the Washington school employees' retirement system combined plan 2 and 3 account, the Washington state patrol retirement account, the Washington State University building account, the Washington State University bond retirement fund, the water pollution control revolving administration account, the water pollution control revolving fund, the Western Washington University capital projects account, the Yakima integrated plan implementation account, the Yakima integrated plan implementation revenue recovery account, and the Yakima integrated plan implementation taxable bond account. Earnings derived from investing balances of the agricultural permanent fund, the normal school permanent fund, the permanent common school fund, the scientific permanent fund, and the state university permanent fund shall be allocated to their respective beneficiary accounts.

(b) Any state agency that has independent authority over accounts or funds not statutorily required to be held in the state treasury that deposits funds into a fund or account in the state treasury pursuant to an agreement with the office of the state treasurer shall receive its proportionate share of earnings based upon each account's or fund's average daily balance for the period.

(5) In conformance with Article II, section 37 of the state Constitution, no treasury accounts or funds shall be allocated earnings without the specific affirmative directive of this section.

**Sec.**  RCW 43.84.092 and 2024 c 210 s 5 and 2024 c 168 s 13 are each reenacted and amended to read as follows:

(1) All earnings of investments of surplus balances in the state treasury shall be deposited to the treasury income account, which account is hereby established in the state treasury.

(2) The treasury income account shall be utilized to pay or receive funds associated with federal programs as required by the federal cash management improvement act of 1990. The treasury income account is subject in all respects to chapter 43.88 RCW, but no appropriation is required for refunds or allocations of interest earnings required by the cash management improvement act. Refunds of interest to the federal treasury required under the cash management improvement act fall under RCW 43.88.180 and shall not require appropriation. The office of financial management shall determine the amounts due to or from the federal government pursuant to the cash management improvement act. The office of financial management may direct transfers of funds between accounts as deemed necessary to implement the provisions of the cash management improvement act, and this subsection. Refunds or allocations shall occur prior to the distributions of earnings set forth in subsection (4) of this section.

(3) Except for the provisions of RCW 43.84.160, the treasury income account may be utilized for the payment of purchased banking services on behalf of treasury funds including, but not limited to, depository, safekeeping, and disbursement functions for the state treasury and affected state agencies. The treasury income account is subject in all respects to chapter 43.88 RCW, but no appropriation is required for payments to financial institutions. Payments shall occur prior to distribution of earnings set forth in subsection (4) of this section.

(4) Monthly, the state treasurer shall distribute the earnings credited to the treasury income account. The state treasurer shall credit the general fund with all the earnings credited to the treasury income account except:

(a) The following accounts and funds shall receive their proportionate share of earnings based upon each account's and fund's average daily balance for the period: The abandoned recreational vehicle disposal account, the aeronautics account, the Alaskan Way viaduct replacement project account, the budget stabilization account, the capital vessel replacement account, the capitol building construction account, the Central Washington University capital projects account, the charitable, educational, penal and reformatory institutions account, the Chehalis basin account, the Chehalis basin taxable account, the clean fuels credit account, the clean fuels transportation investment account, the cleanup settlement account, the climate active transportation account, the climate transit programs account, the Columbia river basin water supply development account, the Columbia river basin taxable bond water supply development account, the Columbia river basin water supply revenue recovery account, the common school construction fund, the community forest trust account, the connecting Washington account, the county arterial preservation account, the county criminal justice assistance account, the covenant homeownership account, the deferred compensation administrative account, the deferred compensation principal account, the department of licensing services account, the department of retirement systems expense account, the developmental disabilities community services account, the diesel idle reduction account, the opioid abatement settlement account, the drinking water assistance account, the administrative subaccount of the drinking water assistance account, the early learning facilities development account, the early learning facilities revolving account, the Eastern Washington University capital projects account, the education construction fund, the education legacy trust account, the election account, the electric transmission capital account, the electric vehicle account, the energy freedom account, the energy recovery act account, the essential rail assistance account, The Evergreen State College capital projects account, the fair start for kids account, the family medicine workforce development account, the ferry bond retirement fund, the fish, wildlife, and conservation account, the freight mobility investment account, the freight mobility multimodal account, the grade crossing protective fund, the higher education retirement plan supplemental benefit fund, the Washington student loan account, the highway bond retirement fund, the highway infrastructure account, the highway safety fund, the hospital safety net assessment fund, the Interstate 5 bridge replacement project account, the Interstate 405 and state route number 167 express toll lanes account, the judges' retirement account, the judicial retirement administrative account, the judicial retirement principal account, the limited fish and wildlife account, the local leasehold excise tax account, the local real estate excise tax account, the local sales and use tax account, the marine resources stewardship trust account, the medical aid account, the money-purchase retirement savings administrative account, the money-purchase retirement savings principal account, the motor vehicle fund, the motorcycle safety education account, the move ahead WA account, the move ahead WA flexible account, the multimodal transportation account, the multiuse roadway safety account, the municipal criminal justice assistance account, the oyster reserve land account, the pension funding stabilization account, the perpetual surveillance and maintenance account, the pilotage account, the pollution liability insurance agency underground storage tank revolving account, the public employees' retirement system plan 1 account, the public employees' retirement system combined plan 2 and plan 3 account, the public facilities construction loan revolving account, the public health supplemental account, the public works assistance account, the Puget Sound capital construction account, the Puget Sound ferry operations account, the Puget Sound Gateway facility account, the Puget Sound taxpayer accountability account, the real estate appraiser commission account, the recreational vehicle account, the regional mobility grant program account, the reserve officers' relief and pension principal fund, the resource management cost account, the rural arterial trust account, the rural mobility grant program account, the rural Washington loan fund, the second injury fund, the sexual assault prevention and response account, the site closure account, the skilled nursing facility safety net trust fund, the small city pavement and sidewalk account, the special category C account, the special wildlife account, the state hazard mitigation revolving loan account, the state investment board expense account, the state investment board commingled trust fund accounts, the state patrol highway account, the state reclamation revolving account, the state route number 520 civil penalties account, the state route number 520 corridor account, the statewide broadband account, the statewide tourism marketing account, the supplemental pension account, the Tacoma Narrows toll bridge account, the teachers' retirement system plan 1 account, the teachers' retirement system combined plan 2 and plan 3 account, the tobacco prevention and control account, the tobacco settlement account, the toll facility bond retirement account, the transportation 2003 account (nickel account), the transportation equipment fund, the JUDY transportation future funding program account, the transportation improvement account, the transportation improvement board bond retirement account, the transportation infrastructure account, the transportation partnership account, the traumatic brain injury account, the tribal opioid prevention and treatment account, the University of Washington bond retirement fund, the University of Washington building account, the voluntary cleanup account, the volunteer firefighters' relief and pension principal fund, the volunteer firefighters' and reserve officers' administrative fund, the vulnerable roadway user education account, the Washington judicial retirement system account, the Washington law enforcement officers' and firefighters' system plan 1 retirement account, the Washington law enforcement officers' and firefighters' system plan 2 retirement account, the Washington public safety employees' plan 2 retirement account, the Washington school employees' retirement system combined plan 2 and 3 account, the Washington state patrol retirement account, the Washington State University building account, the Washington State University bond retirement fund, the water pollution control revolving administration account, the water pollution control revolving fund, the Western Washington University capital projects account, the Yakima integrated plan implementation account, the Yakima integrated plan implementation revenue recovery account, and the Yakima integrated plan implementation taxable bond account. Earnings derived from investing balances of the agricultural permanent fund, the normal school permanent fund, the permanent common school fund, the scientific permanent fund, and the state university permanent fund shall be allocated to their respective beneficiary accounts.

(b) Any state agency that has independent authority over accounts or funds not statutorily required to be held in the state treasury that deposits funds into a fund or account in the state treasury pursuant to an agreement with the office of the state treasurer shall receive its proportionate share of earnings based upon each account's or fund's average daily balance for the period.

(5) In conformance with Article II, section 37 of the state Constitution, no treasury accounts or funds shall be allocated earnings without the specific affirmative directive of this section.

NEW SECTION. **Sec.**  Section 13 of this act expires July 1, 2028.

NEW SECTION. **Sec.**  Section 14 of this act takes effect July 1, 2028.

NEW SECTION. **Sec.**  Sections 2 through 4 and 6 through 9 of this act constitute a new chapter in Title 43 RCW.

**--- END ---**