

HOUSE BILL REPORT

HB 1058

*As Reported By House Committee on:
Revenue*

Title: An act relating to treasurer-managed funds and accounts.

Brief Description: Reorganizing treasurer-managed funds and accounts.

Sponsor(s): Representatives Wang, Holland and Fraser; by request of State Treasurer and Office of Financial Management.

Brief History:

Reported by House Committee on:
Revenue, March 5, 1991, DPS.

**HOUSE COMMITTEE ON
REVENUE**

Majority Report: *That Substitute House Bill No. 1058 be substituted therefor, and the substitute bill do pass.* Signed by 10 members: Representatives Wang, Chair; Fraser, Vice Chair; Holland, Ranking Minority Member; Wynne, Assistant Ranking Minority Member; Appelwick; Belcher; Leonard; Phillips; Rust; and Van Luven.

Minority Report: *Do not pass.* Signed by 5 members: Representatives Brumsickle; Day; Morris; Morton; and Silver.

Staff: Robin Appleford (786-7093).

Background: The treasurer's office manages over 300 funds and accounts, some of which are inactive. The disposition of interest income earned by these funds and accounts varies considerably. The majority of accounts retain 80 percent of their interest earnings and pay 20 percent to the general fund-state. Some of the remaining accounts keep all of their interest earnings, while the rest retain no interest earnings.

Interest earnings from approximately 40 trust and treasury funds are deposited in the State Treasurer's Service Fund to cover administrative expenses of the treasurer's office. Nothing is deducted from the remaining funds and accounts to

compensate the treasurer for the expense of managing each fund or account.

Summary of Substitute Bill: The distribution of interest earnings is changed such that interest earnings from the majority of funds and accounts are deposited in the general fund-state. The only accounts retaining their interest earnings are those accounts:

1. Subject to a contractual agreement that all revenues in the account are to be spent for a specific purpose;
2. The income of which is derived from trust lands originally granted at statehood;
3. The revenues of which are collected by the state and are subsequently distributed to local governments; and
4. The revenues of which are derived from state employee contributions to retirement and workers' compensation programs.

A new method for funding administrative expenses is to be established by the treasurer. The treasurer's office is to determine the percentage of total interest earnings needed to fund its biennial budget appropriation. This percentage is to be deducted from the interest earnings of each fund or account, including funds and accounts exempted from the change described above, and deposited in the State Treasurer's Service Fund to be used for administrative expenses. The percentage may not exceed 1.0 percent of the average daily cash balance of any account or fund.

Substitute Bill Compared to Original Bill: Language is added to exempt accounts containing revenues derived from state employee contributions to retirement and workers' compensation from the shift in earnings the general fund-state.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect July 1, 1991.

Testimony For: The bill would promote uniformity in the treatment of interest earned on treasury accounts. All accounts should share some pain with the general fund-state during difficult budget times.

Testimony Against: Accounts containing state employee contributions should be exempted so as not to penalize state employees. Transportation, natural resources, and

environmental accounts should not bear the burden of balancing the general fund-state budget.

Witnesses: Candace Espeseth, Office of Financial Management, Operations Division; Mark McLaughlin, Treasurer's Office; and Mike Colleran, Office of Financial Management, Budget Division: all in favor. Dennis Higgins, Associate Treasurer, University of Washington; Gus Schwartz and Ed Monternini, Retired Public Employees Council; Jacob Armstrong, Thurston County Engineer; Mike Daniels, Director of Public Works, Grays Harbor County; Gary Moore, Washington Federation of State Employees; Roger Polzin, Deputy Insurance Commissioner; and Laura Eckert, Department of Natural Resources: opposed. Rick Wickman, Association of Counties; and Stan Finkelstein, Association of Washington Cities: pro and con. David Weig, State Investment Board: answered questions.