

## CHAPTER 281

[Substitute House Bill No. 1652]

## PUBLIC FUNDS—AUTHORIZED INVESTMENTS

AN ACT Relating to investment of public funds; amending RCW 48.62.070, 36.57A.130, and 36.17.040; adding a new chapter to Title 39 RCW; adding a new section to chapter 36.29 RCW; adding a new section to chapter 43.19 RCW; and declaring an emergency.

Be it enacted by the Legislature of the State of Washington:

**NEW SECTION.** Sec. 1. Unless the context clearly requires otherwise, the definitions in this section apply throughout this chapter.

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

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

(3) "Money market fund" means a mutual fund the portfolio which consists of only bonds having maturities or demand or tender provisions of not more than one year, managed by an investment advisor who has posted with the risk management office of the department of general administration a bond or other similar instrument in the amount of at least five percent of the amount invested in the fund pursuant to section 3 (2) or (3) of this act.

(4) "Mutual fund" means a diversified mutual fund registered with the federal securities and exchange commission and which is managed by an investment advisor with assets under management of at least five hundred million dollars and with at least five years' experience in investing in bonds authorized for investment by this chapter and who has posted with the risk management office of the department of general administration a bond or other similar instrument in the amount of at least five percent of the amount invested in the fund pursuant to section 3(1) of this act.

(5) "State" includes a state, agencies, authorities, and instrumentalities of a state, and public corporations created by a state or agencies, authorities, or instrumentalities of a state.

**NEW SECTION.** Sec. 2. In addition to any other investment authority granted by law and notwithstanding any provision of law to the contrary, the state of Washington and local governments in the state of Washington are authorized to invest their funds and money in their custody or possession, eligible for investment, in:

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

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

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

(4) Any investments authorized by law for the treasurer of the state of Washington or any local government of the state of Washington other than a metropolitan municipal corporation but, except as provided in chapter 39-.58 RCW, such investments shall not include certificates of deposit of banks or bank branches not located in the state of Washington.

**NEW SECTION.** Sec. 3. In addition to any other investment authority granted by law, the state of Washington and local governments in the state of Washington are authorized to invest their funds and money in their custody or possession, eligible for investment and subject to the arbitrage provisions of section 148 of the federal internal revenue code or similar provision concerning the investment of state and local money and funds, in:

(1) Shares of mutual funds with portfolios consisting of only United States government bonds or United States government guaranteed bonds issued by federal agencies with average maturities less than four years, or bonds described in section 2 (1) or (2) of this act, except that bonds otherwise described in section 2 (1) or (2) of this act shall have one of the four highest credit ratings of a nationally recognized rating agency;

(2) Shares of money market funds with portfolios consisting of only bonds of states and local governments or other issuers authorized by law for investment by local governments, which bonds have at the time of investment one of the two highest credit ratings of a nationally recognized rating agency; or

(3) Shares of money market funds with portfolios consisting of securities otherwise authorized by law for investment by local governments.

Sec. 4. Section 7, chapter 256, Laws of 1979 ex. sess. as amended by section 4, chapter 277, Laws of 1985 and RCW 48.62.070 are each amended to read as follows:

The assets of any organization of local governmental entities that is organized under RCW 48.62.040 or 48.62.035 which is established for the purpose of jointly self-funding or self-insuring may, pursuant to RCW 48-.62.080, be invested only in the following classes of securities and investments:

(1) Savings or time accounts in banks, trust companies, and mutual savings banks which are doing business in this state, up to the amount of insurance afforded such accounts by the federal deposit insurance corporation;

(2) Accounts in savings and loan associations which are doing business in this state, up to the amount of insurance afforded such accounts by the federal savings and loan insurance corporation;

(3) Investment deposits in banks, trust companies, mutual savings banks, and savings and loan associations, which are doing business in this state, available for investment and secured by collateral in accordance with the provisions of chapter 39.58 RCW;

(4) Certificates, notes, bonds, or other obligations or securities of the United States or any of its agencies, or of any corporation wholly owned by the government of the United States;

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

(6) Direct and general obligation bonds and warrants of the state of Washington or any other state of the United States;

(7) Direct and general obligation bonds and warrants of any local governmental entity of this state having the power to levy general taxes which are payable from general ad valorem taxes;

(8) Revenue bonds of this state or any authority, board, commission, committee, or similar agency thereof;

(9) Motor vehicle fund warrants when authorized by agreement between the state finance committee and the state transportation commission requiring repayment of invested funds from any moneys in the motor vehicle fund available for state highway construction; ~~((and))~~

(10) Bonds, securities, and obligations which are designated to be authorized security for all public deposits pursuant to RCW 35.58.510, 35.81.110, 35.82.220, 39.60.030, 39.60.040, and 54.24.120; and

(11) Investments permitted by section 2 of this 1988 act.

NEW SECTION. Sec. 5. A new section is added to chapter 36.29 RCW to read as follows:

The county treasurer may deduct the amounts necessary to reimburse the treasurer's office for the actual expenses the office incurs and to repay any county funds appropriated and expended for the initial administrative costs of establishing a county investment pool provided in RCW 36.29.022. Any credits or payments to political subdivisions shall be calculated and made in a manner which equitably reflects the differing amounts of the political subdivision's respective deposits in the county investment pool and the

differing periods of time for which the amounts were placed in the county investment pool.

**NEW SECTION.** Sec. 6. A new section is added to chapter 43.19 RCW to read as follows:

The director of general administration, through the risk management office, shall receive and enforce bonds posted pursuant to section 1 (3) and (4) of this act.

**NEW SECTION.** Sec. 7. Sections 1, 2, and 3 of this act shall constitute a new chapter in Title 39 RCW.

**\*Sec. 8. Section 23, chapter 270, Laws of 1975 1st ex. sess. as amended by section 1, chapter 151, Laws of 1983 and RCW 36.57A.130 are each amended to read as follows:**

*The treasurer of the county in which a public transportation benefit area authority is located shall be ex officio treasurer of the authority. In the case of a multicounty public transportation benefit area the county treasurer of the largest component county, by population, shall be the treasurer of the authority. However, the authority, by resolution, (~~and upon the approval of the county treasurer,~~) may designate some other person having experience in financial or fiscal matters as treasurer of the authority. Such a treasurer shall possess all of the powers, responsibilities, and duties the county treasurer possesses for a public transportation benefit area authority related to investing surplus authority funds. The authority may (and if the treasurer is not a county treasurer, it shall) require a bond with a surety company authorized to do business in the state of Washington in an amount and under the terms and conditions the authority, by resolution, from time to time finds will protect the authority against loss. The premium on any such bond shall be paid by the authority.*

*All authority funds shall be paid to the treasurer and shall be disbursed by the treasurer only on warrants issued by the county auditor, upon orders or vouchers approved by the authority. However, the authority may, by resolution, designate some person having experience in financial or fiscal matters, other than the county auditor, as the auditor of the authority. Such an auditor shall possess all of the powers, responsibilities, and duties that the county auditor possesses for a public transportation benefit area authority related to creating and maintaining funds, issuing warrants, and maintaining a record of receipts and disbursements.*

*The treasurer shall establish a "transportation fund," into which shall be paid all authority funds, and the treasurer shall maintain such special accounts as may be created by the authority into which shall be placed all money as the authority may, by resolution, direct.*

*If the treasurer of the authority is a treasurer of the county, all authority funds shall be deposited with the county depository under the same restrictions, contracts, and security as provided for county depositories. If the*

*treasurer of the authority is some other person, all funds shall be deposited in such bank or banks authorized to do business in this state that have qualified for insured deposits under any federal deposit insurance act as the authority, by resolution, shall designate.*

*An authority may provide and require a reasonable bond of any other person handling moneys or securities of the authority, but the authority shall pay the premium on the bond.*

*The county or counties and each city or town which is included in the authority shall contribute such sums towards the expense for maintaining and operating the public transportation system as shall be agreed upon between them.*

\*Sec. 8 was vetoed, see message at end of chapter.

Sec. 9. Section 36.17.040, chapter 4, Laws of 1963 and RCW 36.17-.040 are each amended to read as follows:

The salaries of county officers and employees of counties other than counties of the eighth and ninth classes may be paid twice monthly out of the county treasury, and the county auditor, for services rendered from the first to the fifteenth day, inclusive, may, not later than the ~~((twentieth))~~ last day of the month, draw ~~((his))~~ a warrant upon the county treasurer in favor of each of such officers and employees for the amount of salary due him or her, and such auditor, for services rendered from the sixteenth to the last day, inclusive, may similarly draw ~~((his))~~ a warrant, not later than the ~~((fifth))~~ fifteenth day of the following month, and the county ~~((commissioners))~~ legislative authority, with the concurrence of the county auditor, may enter an order on the record journal empowering him or her so to do: PROVIDED, That if the ~~((board of county commissioners do))~~ county legislative authority does not adopt the semimonthly pay plan, ~~((they))~~ it, by resolution, shall designate the first pay period as a draw day. ~~((The draw day period shall be from the first day to the fifteenth day of the month, inclusive:))~~ Not more than forty percent of said earned monthly salary of each such county officer or employee shall be paid to him on the draw day and the payroll deductions of such officer or employee shall not be deducted from the salary to be paid on the draw day. If officers and employees are paid once a month, the draw day shall not be later than the ~~((twentieth))~~ last day of each month. The balance of the earned monthly salary of each such officer or employee shall be paid not later than the ~~((fifth))~~ fifteenth day of the following month.

In counties of eighth and ninth classes salaries shall be paid monthly unless the ~~((commissioners))~~ county legislative authority by resolution adopts the foregoing draw day procedure.

NEW SECTION. Sec. 10. If any provision of this act or its application to any person or circumstance is held invalid, the remainder of the act or the application of the provision to other persons or circumstances is not affected.

**NEW SECTION.** Sec. 11. This act is necessary for the immediate preservation of the public peace, health, and safety, the support of the state government and its existing public institutions, and shall take effect immediately.

Passed the House March 9, 1988.

Passed the Senate March 6, 1988.

Approved by the Governor March 24, 1988, with the exception of certain items which were vetoed.

Filed in Office of Secretary of State March 24, 1988.

Note: Governor's explanation of partial veto is as follows:

"I am returning herewith, without my approval as to section 8, Substitute House Bill No. 1652, entitled:

"AN ACT Relating to investment of public funds."

Section 8 of Substitute House Bill No. 1652 would amend existing law to allow public transportation benefit area authorities to appoint their own treasurers, without prior approval of the county treasurer. Under current law, the county treasurer must approve such an appointment.

I understand that the problem giving rise to this amendment has been resolved, and that there is no statewide concern about the existing approval requirement. Indeed, county treasurers have in most instances granted this authority when asked. In those instances where the authority to appoint a treasurer has been denied, there were reportedly good operational reasons for the denial. As operations improved, authorities were granted the power to hire their own treasurers. The current system seems to work.

Further, from a public policy perspective, it makes sense for the chief financial officer of a county, who is an elected official directly accountable to the citizens, to exercise some control over the appointment of those individuals who will be managing and investing public funds.

With the exception of section 8, Substitute House Bill No. 1652 is approved."

---

## CHAPTER 282

[Engrossed Substitute Senate Bill No. 6316]

### DRUG CRIMES—DISTRIBUTION OF FUNDS FROM FORFEITED PERSONAL PROPERTY

AN ACT Relating to the forfeiture of real property from the commercial sale or production of controlled substances and imitation controlled substances where a substantial nexus exists between the commercial production or sale of the substances and the real property and providing for the redistribution of proceeds from the sale of forfeited property; amending RCW 69.50.505; and creating a new section.

Be it enacted by the Legislature of the State of Washington:

**\*NEW SECTION. Sec. 1. The legislature finds that: Drug offenses and crimes resulting from illegal drug use are destructive to society; the nature of drug trafficking results in many property crimes and crimes of violence; state and local governmental agencies incur immense expenses in the investigation,**