

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 5464 SB	<b>Title:</b> Washington investment trust
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## Estimated Cash Receipts

Agency Name	2017-19		2019-21		2021-23	
	GF- State	Total	GF- State	Total	GF- State	Total
Office of State Treasurer	Non-zero but indeterminate cost and/or savings. Please see discussion.					
Office of State Auditor	0	0	0	241,650	0	241,650
Office of Attorney General	0	931,308	0	886,960	0	886,960
Department of Financial Institutions	Non-zero but indeterminate cost and/or savings. Please see discussion.					
<b>Total \$</b>	<b>0</b>	<b>931,308</b>	<b>0</b>	<b>1,128,610</b>	<b>0</b>	<b>1,128,610</b>

## Estimated Expenditures

Agency Name	2017-19			2019-21			2021-23		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Office of the Governor	.0	0	0	.0	0	0	.0	0	0
Office of Lieutenant Governor	.0	0	0	.0	0	0	.0	0	0
Office of State Treasurer	5.0	2,010,000	2,010,000	.0	0	0	.0	0	0
Office of State Auditor	.0	0	0	1.2	0	241,650	1.2	0	241,650
Office of Attorney General	3.7	0	931,308	3.5	0	886,960	3.5	0	886,960
Department of Financial Institutions	Non-zero but indeterminate cost and/or savings. Please see discussion.								
<b>Total</b>	<b>8.7</b>	<b>\$2,010,000</b>	<b>\$2,941,308</b>	<b>4.7</b>	<b>\$0</b>	<b>\$1,128,610</b>	<b>4.7</b>	<b>\$0</b>	<b>\$1,128,610</b>

## Estimated Capital Budget Impact

NONE

<b>Prepared by:</b> Gwen Stamey, OFM	<b>Phone:</b> (360) 902-9810	<b>Date Published:</b> Final 2/16/2017
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\* See Office of the Administrator for the Courts judicial fiscal note

\*\* See local government fiscal note

FNPID: 47542

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 5464 SB	<b>Title:</b> Washington investment trust	<b>Agency:</b> 075-Office of the Governor
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**Part I: Estimates**

**No Fiscal Impact**

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Jeff Olsen	Phone: 360-786-7428	Date: 02/03/2017
Agency Preparation: Jim Jenkins	Phone: 360-902-0403	Date: 02/06/2017
Agency Approval: Aaron Butcher	Phone: 360-902-0406	Date: 02/06/2017
OFM Review: Regan Hesse	Phone: (360) 902-0650	Date: 02/08/2017

## **Part II: Narrative Explanation**

### **II. A - Brief Description Of What The Measure Does That Has Fiscal Impact**

*Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.*

Under Section 4, the Washington investment trust is created as the primary governing authority of the trust. The commission shall consist of five statewide elected state officials which includes the Governor. The commission shall commence trust operations by July 1, 2018.

Since section 5(4) requires the Department of Financial Institutions (DFI) to provide technical assistance to the trust board, we assume DFI will also provide staff support and cover administrative costs (meeting, travel, etc.). The staff time spent by the Governor can be absorbed within existing resources.

### **II. B - Cash receipts Impact**

*Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.*

### **II. C - Expenditures**

*Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.*

## **Part III: Expenditure Detail**

## **Part IV: Capital Budget Impact**

## **Part V: New Rule Making Required**

*Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.*

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 5464 SB	<b>Title:</b> Washington investment trust	<b>Agency:</b> 080-Office of Lieutenant Governor
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## Part I: Estimates

**No Fiscal Impact**

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Jeff Olsen	Phone: 360-786-7428	Date: 02/03/2017
Agency Preparation: Chad Johnson	Phone: (360) 407-8130	Date: 02/08/2017
Agency Approval: Chad Johnson	Phone: (360) 407-8130	Date: 02/08/2017
OFM Review: Shane Hamlin	Phone: (360) 902-0547	Date: 02/08/2017

## **Part II: Narrative Explanation**

### **II. A - Brief Description Of What The Measure Does That Has Fiscal Impact**

*Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.*

This bill establishes a new commission entitled Washington Investment Trust Commission. The Lt. Governor is identified as being one of the commission members.

### **II. B - Cash receipts Impact**

*Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.*

### **II. C - Expenditures**

*Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.*

## **Part III: Expenditure Detail**

## **Part IV: Capital Budget Impact**

## **Part V: New Rule Making Required**

*Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.*

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 5464 SB	<b>Title:</b> Washington investment trust	<b>Agency:</b> 090-Office of State Treasurer
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**Part I: Estimates**

**No Fiscal Impact**

**Estimated Cash Receipts to:**

**Non-zero but indeterminate cost. Please see discussion.**

**Estimated Expenditures from:**

	FY 2018	FY 2019	2017-19	2019-21	2021-23
FTE Staff Years	5.0	5.0	5.0	0.0	0.0
<b>Account</b>					
General Fund-State 001-1	730,000	1,280,000	2,010,000	0	0
<b>Total \$</b>	730,000	1,280,000	2,010,000	0	0

**Estimated Capital Budget Impact:**

NONE

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Jeff Olsen	Phone: 360-786-7428	Date: 02/03/2017
Agency Preparation: Dan Mason	Phone: 360-902-9090	Date: 02/16/2017
Agency Approval: Dan Mason	Phone: 360-902-9090	Date: 02/16/2017
OFM Review: Gwen Stamey	Phone: (360) 902-9810	Date: 02/16/2017

## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

*Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.*

SB 5464 creates the:

1. Washington investment trust.
2. Washington investment trust commission comprised of the governor, lieutenant governor, attorney general, state treasurer, and the state auditor.
3. Trust transition board
4. Investment trust advisory board.

Under section 4: The commission shall commence trust operations by July 1, 2018, may adopt policies and procedures, and may establish technical advisory committees.

Under section 11: The commission shall appoint a trust president. The president may employ additional personnel as are necessary to the bank's operation.

By November 1, 2017, the commission must present an implementation plan and any necessary legislation to the governor and appropriate legislative committees. The full financial impact beyond FY 18 is indeterminate until the plan and legislation are known and approved. A major concern is investing short-term money in long-term low interest bearing loan programs, which is in direct conflict with our investment policy objectives that are, in order of priority:

1. Safety of principal is the primary objective.
2. Liquidity to enable us to meet all cash requirements.
3. Return on Investment to attain a market rate of return throughout budgetary and economic cycles commensurate with the investment risk parameters and cash flow characteristics of the portfolio.

Currently we operate two main portfolios to meet the objectives of safety, liquidity, and return. The short-term investment fund (STIF) portfolio's main objectives are to meet the liquidity needs of the state and to manage the temporary cash positions of the core portfolio. The core portfolio is comprised of cash that is not reasonably expected to be necessary to meet the short or intermediate term liquidity needs of the state. The core portfolio may have a maximum modified duration of no longer than 3.5 years, which allows us to maximize our returns within the liquidity requirements for daily state operations.

### II. B - Cash receipts Impact

*Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.*

The cash receipt impact is indeterminate.

### II. C - Expenditures

*Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.*

We estimate five new employees are required next biennium to assist with the start-up activity of the trust.

The full financial impact beyond FY 18 is indeterminate. The FY 19 estimated expenditures reflected in this fiscal note are likely to increase based on future commission and legislative actions. The commission must

present an implementation plan and legislation for the legislature's consideration.

**Part III: Expenditure Detail**

**III. A - Expenditures by Object Or Purpose**

	FY 2018	FY 2019	2017-19	2019-21	2021-23
FTE Staff Years	5.0	5.0	5.0		
A-Salaries and Wages	360,000	720,000	1,080,000		
B-Employee Benefits	90,000	180,000	270,000		
C-Professional Service Contracts					
E-Goods and Other Services	250,000	300,000	550,000		
G-Travel	20,000	30,000	50,000		
J-Capital Outlays	10,000	50,000	60,000		
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
<b>Total:</b>	\$730,000	\$1,280,000	\$2,010,000	\$0	\$0

**III. B - Detail:** *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2018	FY 2019	2017-19	2019-21	2021-23
Washington Investment Trust	60,000	2.0	2.0	2.0		
Classified Employees Washington Investment Trust	125,000	2.0	2.0	2.0		
Exempt Employees Washington Investment Trust	350,000	1.0	1.0	1.0		
President						
<b>Total FTE's</b>	535,000	5.0	5.0	5.0		0.0

**Part IV: Capital Budget Impact**

**Part V: New Rule Making Required**

*Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.*



# Individual State Agency Fiscal Note

<b>Bill Number:</b> 5464 SB	<b>Title:</b> Washington investment trust	<b>Agency:</b> 095-Office of State Auditor
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## Part I: Estimates

No Fiscal Impact

### Estimated Cash Receipts to:

ACCOUNT	FY 2018	FY 2019	2017-19	2019-21	2021-23
Auditing Services Revolving Account-State 483-1				241,650	241,650
<b>Total \$</b>				241,650	241,650

### Estimated Expenditures from:

	FY 2018	FY 2019	2017-19	2019-21	2021-23
FTE Staff Years	0.0	0.0	0.0	1.2	1.2
<b>Account</b>					
Auditing Services Revolving Account-State 483-1	0	0	0	241,650	241,650
<b>Total \$</b>	0	0	0	241,650	241,650

### Estimated Capital Budget Impact:

NONE

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Jeff Olsen	Phone: 360-786-7428	Date: 02/03/2017
Agency Preparation: Janel Roper	Phone: 360-725-5600	Date: 02/08/2017
Agency Approval: Janel Roper	Phone: 360-725-5600	Date: 02/08/2017
OFM Review: Gwen Stamey	Phone: (360) 902-9810	Date: 02/08/2017

## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

*Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.*

Section 3 Creates the Washington Investment Trust.

Section 4 Creates the Washington Investment Trust Commission and names the State Auditor as a member.

Section 13 (3) Requires the State Auditor to conduct an annual postaudit on all accounts and financial transactions of the trust.

### II. B - Cash receipts Impact

*Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.*

The State Auditor's Office (SAO) would bill the Washington Investment Trust for this work and revenue would be collected through the Auditing Services Revolving Account.

Based on the operational date for the trust of July 1, 2018 as outlined in Section 5, we anticipate we would begin performing audit work during Fiscal Year 2020.

SAO's current Auditing Services Revolving Account rate of \$89.50 per hour was used to estimate the cash receipt impact. This work would be billed at the current billing rate when the work was performed.

### II. C - Expenditures

*Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.*

The SAO assumes three areas where additional work would be required with this legislation; additional work related to the statewide Comprehensive Annual Financial Report (CAFR), an audit of the trust's financial statements and an accountability audit pursuant to 43.09.290.

The SAO is estimates an additional 100 hours per year related to the statewide CAFR, 750 hours to audit the financial statements according to Generally Accepted Government Auditing Standards (GAGAS) and an additional 500 hours for the accountability audit.

This work would be performed annually by SAO audit staff at various levels within the organization.

### Part III: Expenditure Detail

#### III. A - Expenditures by Object Or Purpose

	FY 2018	FY 2019	2017-19	2019-21	2021-23
FTE Staff Years				1.2	1.2
A-Salaries and Wages				150,964	150,964
B-Employee Benefits				54,882	54,882
C-Professional Service Contracts					
E-Goods and Other Services				35,804	35,804
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
<b>Total:</b>	\$0	\$0	\$0	\$241,650	\$241,650

#### III. B - Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2018	FY 2019	2017-19	2019-21	2021-23
Admn/Mgmt/Other	68,200				0.2	0.2
Assistant Audit Manager	67,884				0.1	0.1
Assistant State Auditor	57,144				0.8	0.8
Audit Manager	93,384				0.1	0.1
<b>Total FTE's</b>	286,612				1.2	1.2

### Part IV: Capital Budget Impact

### Part V: New Rule Making Required

*Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.*

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 5464 SB	<b>Title:</b> Washington investment trust	<b>Agency:</b> 100-Office of Attorney General
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## Part I: Estimates

No Fiscal Impact

### Estimated Cash Receipts to:

ACCOUNT	FY 2018	FY 2019	2017-19	2019-21	2021-23
Legal Services Revolving Account-State 405-1	465,654	465,654	931,308	886,960	886,960
<b>Total \$</b>	465,654	465,654	931,308	886,960	886,960

### Estimated Expenditures from:

	FY 2018	FY 2019	2017-19	2019-21	2021-23
FTE Staff Years	3.7	3.7	3.7	3.5	3.5
<b>Account</b>					
Legal Services Revolving Account-State 405-1	465,654	465,654	931,308	886,960	886,960
<b>Total \$</b>	465,654	465,654	931,308	886,960	886,960

### Estimated Capital Budget Impact:

NONE

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Jeff Olsen	Phone: 360-786-7428	Date: 02/03/2017
Agency Preparation: Cam Comfort	Phone: (360) 664-9429	Date: 02/08/2017
Agency Approval: Brendan VanderVelde	Phone: 360 586-2104	Date: 02/08/2017
OFM Review: Gwen Stamey	Phone: (360) 902-9810	Date: 02/09/2017

## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

*Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.*

Section 1 is a new section stating legislative intent and findings.

Section 2 is a new section providing definitions.

Section 3 is a new section creating the Washington Investment Trust (WIT).

Section 4 is a new section creating the Washington Investment Trust Commission (WITC) as the primary governing authority of the WIT. The WITC consists of the Governor, Lieutenant Governor, Attorney General, State Treasurer, and State Auditor. The WITC is authorized to adopt rules. The WITC may delegate to the WIT President such duties and powers deemed necessary to carry on the business of the WIT and enforce this chapter efficiently and effectively, except for rule-making or policy-making authority.

Section 5 is a new section establishing the Trust Transition Board (Board) consisting of four appointed members of the Legislature and seven appointed citizen members. The responsibilities of the Board are listed, including developing and recommending a start-up business plan for the WIT, initial capital investments, and options for capitalizing the WIT.

Section 6 is a new section addressing the deposit of public funds, including authorizing the WIT to serve as the depository for state moneys and federal transportation funds once it has built sufficient capacity to accept and manage such moneys and funds.

Section 7 is a new section providing that the WITC and State Treasurer to jointly determine the amount of funds necessary to meet the operational needs of state government, and retaining in the State Treasurer the authority to manage and invest the amount of funds necessary to meet the operational needs of state government.

Section 8 is a new section authorizing the WIT to become a member of the Federal Reserve System.

Section 9 is a new section authorizing the WIT to manage and invest state moneys to facilitate investment in, and financing of, construction, rehabilitation, replacement, and improvement of new and existing public infrastructure systems.

Section 10 is a new section preserving legislative appropriation authority.

Section 11 is a new section requiring the WITC to appoint a trust president to provide support to the WITC and advisory board, carry out WIT policies and programs, and exercise additional authority as may be delegated by the WITC.

Section 12 is a new section creating an Investment Advisory Board consisting of 11 members.

Section 13 is a new section requiring the WIT to maintain capital adequacy and other standard indicators of safety and soundness as are appropriate for a publicly-owned financial institution. The State Auditor is required to conduct an annual post audit of all accounts and financial transactions of the WIT.

Section 14 is new section establishing reporting requirements.

Section 15 is a new section establishing ethical requirements.

Section 16 is a new section exempting the WIT from the payment of all state and local fees and taxes.

Section 17 is a new section exemption certain WIT records and records of the Department of Financial Institutions (DFI) related to the WIT from public disclosure.

Section 18 is a new section requiring the WITC to make recommendations to appropriate fiscal committees of the Legislature on options for capitalization of the WIT.

Section 19 adds a new section to RCW 39.58 authorizing the WIT to accept deposits of public funds, but providing that the WIT is not a public depository or subject to the chapter's requirements.

Section 20 adds a new section to RCW 41.06 providing that in addition to the exemptions in RCW 41.06.070, the provisions of the chapter do not apply to the trust president.

Section 21 amends RCW 30A.02.020 to provide that this section does not prevent the WIT from being called a trust or from providing services without being called a bank.

Section 22 amends RCW 42.56.270 to include within the exemption for financial and commercial information and records supplied by businesses or individuals during application for loans or program services a reference to the new chapter created by Section 26 of this act.

Section 23 amends RCW 42.56.400 to include within the exemption for examination reports and information obtained by DFI a reference to the WIT under the new chapter created by Section 26 of this act.

Section 24 amends RCW 43.08.135 to require the State Treasurer to maintain at all times cash, or demand deposits in the WIT.

Section 25 amends RCW 43.84.080 to subject the Office of the State Treasurer's (OST) investment or reinvestment of any fund or in cash balances in the state treasury the limitations in Section 7 of this act.

Section 26 is a new section providing that Sections 1 through 4 and 6 through 18 constitute a new chapter in RCW Title 43.

Section 27 is a new section and an emergency clause.

Section 28 is a new section and a severance clause.

## **II. B - Cash receipts Impact**

*Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.*

Cash receipts are assumed to equal the Legal Service Revolving Account (LSRA) cost estimates. These will be billed through the revolving account to the client agency.

The client agencies are OST and WITC. The AGO will bill all clients for legal services rendered.

These cash receipts represent the AGO authority to bill and are not a direct appropriation to the AGO. The direct appropriation is reflected in the client agency's fiscal note. Appropriation authority is necessary in the AGO budget.

#### AGO ASSUMPTIONS:

OST will be billed \$22,174 for 0.10 Assistant Attorney General and 0.05 Legal Assistant (LA) in FY 2018 and FY 2019.

WITC will be billed \$443,480 for 2.0 AAG and 1.0 LA in FY 2018 and in each FY thereafter.

#### II. C - Expenditures

*Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.*

In order to provide legal services for OST and WITC, the AGO estimates a workload impact of

FY 2018 and FY 2019: 2.1 AAG and 1.05 LA at a cost of \$465,654.

FY2020 and each FY thereafter: 2.0 AAG and 1.0 LA at a cost of \$443,480.

#### AGO Agency Assumptions:

1. This bill has an emergency clause and is assumed to be effective immediately.
2. The AGO Government Compliance & Enforcement (GCE) division has reviewed this bill and determined it will not increase or decrease the division's workload in representing the Department of Financial Institutions (DFI). Under the provisions of this bill, DFI "must provide technical assistance to the trust transition board" and "shall examine the trust." GCE assumes these new requirements will result in primarily technical issues handled by DFI, rather than legal issues. GCE assumes that any impact from this bill will be minimal and will be addressed within existing resources for this client. Costs are not included in this request.
3. The AGO GCE division has reviewed this bill and determined it will not increase or decrease the division's workload in representing the State Auditor's Office (SAO). Under the provisions of this bill, SAO "shall conduct an annual postaudit on all accounts and financial transactions of the trust." GCE assumes any impact from this bill will be minimal and will fall within existing resources for client advice. Costs are not included in this request.
4. The AGO Revenue & Finance (REV) division has reviewed this bill and determined it will not increase or decrease the division's workload in representing the State Investment Board. New legal services are nominal and costs are not included in this request.
5. The Solicitor General's Office has reviewed this bill and determined it will not increase or decrease the division's workload. SGO anticipates that involvement will be within normal functions, whether involving one or more opinion requests or cases in appellate litigation. Costs are nominal and are not included in this request.

Assumptions for the AGO Revenue & Finance (REV) division Legal Services for the Office of the State Treasurer (OST):

1. The AGO will bill OST for legal services based on the enactment of this bill.
2. Sections 6 and 7 of the bill impose certain duties on OST which will require advice requests.
3. This bill will create a significant change in state government through the creation of a brand new banking-type entity. The division assumes there will be numerous legal questions.
4. Total workload impact for 0.1 AAG in FY 2018 and FY 2019 at a cost of \$22,174.

Assumptions for the AGO Legal Services for the WITC:

1. Legal services associated with the enactment of this bill are assumed to begin on July 1, 2017.
2. The AGO assumes the new WITC will require substantial legal services in the development and implementation of the new Trust.
3. The AGO assumes that the AGO's appointment and participation in the WITC creates a conflict of interest. This is because the AGO will be a member of the WITC and at the same time will be the agency responsible for providing legal services to the WITC. Thus, under the proposed legislation, the AGO will be both client and attorney.
4. The AGO assumes the WITC will require advice and counsel resources. The AGO assumes a significant number of legal issues in establishing the Trust operations.
5. The AGO expects workload for 2.0 AAGs. 1.0 AAG will provide advice and deal with the organizational and operational issues, and 1.0 AAG will deal with regulatory issues. It is preferred that the new AAGs possess experience in labor and personnel work.
6. A SAAG appointment with banking experience is required for counsel on how to start and run a bank, and with the Trust. Bank regulations are uniquely comprehensive and complex.
7. SAAG costs are assumed at \$400 per hour.
  - a. 125 hours of corporate regulatory/banking enforcement compliance each year.
  - b. 75 hours for labor, personnel and employment issues each year.
6. Total workload impact for 2.0 AAG and 1.0 LA in FY 2018 and in each FY thereafter at a cost of \$443,480 per FY.

Note: The AGO assumes that a SAAG appointment with banking experience will be required for counsel on how to start and run a bank, and with the Trust. Bank regulations are uniquely comprehensive and complex. The AGO estimates there will be a need for 125 hours of corporate regulatory/banking enforcement compliance each year and 75 hours for labor, personnel and employment issues each year. Assuming the SAAG charges 400 per hour, there will be an additional \$80,000 per year SAAG cost paid directly by the new agency. These costs are NOT included with the AGO costs as they will likely not be charged to/paid for by the AGO (to be paid for by WITC only).



Note: Agency administration support FTEs are included in the tables below, using a Management Analyst 5 as a representative classification.

**Part III: Expenditure Detail**

**III. A - Expenditures by Object Or Purpose**

	FY 2018	FY 2019	2017-19	2019-21	2021-23
FTE Staff Years	3.7	3.7	3.7	3.5	3.5
A-Salaries and Wages	297,302	297,302	594,604	569,772	569,772
B-Employee Benefits	96,585	96,585	193,170	185,160	185,160
C-Professional Service Contracts					
E-Goods and Other Services	64,942	64,942	129,884	119,028	119,028
G-Travel	3,675	3,675	7,350	7,000	7,000
J-Capital Outlays	3,150	3,150	6,300	6,000	6,000
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
<b>Total:</b>	<b>\$465,654</b>	<b>\$465,654</b>	<b>\$931,308</b>	<b>\$886,960</b>	<b>\$886,960</b>

**III. B - Detail:** List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA

Job Classification	Salary	FY 2018	FY 2019	2017-19	2019-21	2021-23
Assistant Attorney General	100,128	2.1	2.1	2.1	2.0	2.0
Legal Assistant III	48,060	1.1	1.1	1.1	1.0	1.0
Management Analyst 5	73,140	0.5	0.5	0.5	0.5	0.5
<b>Total FTE's</b>	<b>221,328</b>	<b>3.7</b>	<b>3.7</b>	<b>3.7</b>	<b>3.5</b>	<b>3.5</b>

**III. C - Expenditures By Program (optional)**

Program	FY 2018	FY 2019	2017-19	2019-21	2021-23
Headquarters-Administration (ADM)	443,480	443,480	886,960	886,960	886,960
Revenue & Finance Division (REV)	22,174	22,174	44,348		
<b>Total \$</b>	<b>465,654</b>	<b>465,654</b>	<b>931,308</b>	<b>886,960</b>	<b>886,960</b>

**Part IV: Capital Budget Impact**

**Part V: New Rule Making Required**

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

None.

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 5464 SB	<b>Title:</b> Washington investment trust	<b>Agency:</b> 102-Department of Financial Institutions
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**Part I: Estimates**

**No Fiscal Impact**

**Estimated Cash Receipts to:**

**Non-zero but indeterminate cost. Please see discussion.**

**Estimated Expenditures from:**

**Non-zero but indeterminate cost. Please see discussion.**

**Estimated Capital Budget Impact:**

NONE

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Jeff Olsen	Phone: 360-786-7428	Date: 02/03/2017
Agency Preparation: Emily Hindman	Phone: (360) 902-8780	Date: 02/07/2017
Agency Approval: Levi Clemmens	Phone: (360) 902-8818	Date: 02/07/2017
OFM Review: Gwen Stamey	Phone: (360) 902-9810	Date: 02/07/2017

## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

*Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.*

Section 5 Organizing Committee (4) states “The department must provide technical assistance to the trust transition board.”

Section 4 Commission (3) states “The commission shall commence trust operations by July 1, 2018.

Section 13 Financial Oversight and Audit states “The director shall examine the trust, taking into consideration the unique circumstances of a publicly owned financial institution when examining the trust. The trust shall pay the director for the reasonable costs of examinations.”

The fiscal impact is not zero but indeterminate because we cannot estimate the size of assets for the trust, the scope of its activities, nor do we have knowledge of the management of the trust and their capabilities. The legislation does not indicate the scope of specific activities that the trust can engage in because the transition board and commission have broad authority to establish and implement the trust’s business plan. We cannot estimate with accuracy the cash receipts or expenditures due to inability to estimate the level of examination resources needed to supervise the trust.

The Department assumes that it will provide technical assistance as requested by the trust transition board, including time spent prior to the trust’s opening.

The Department anticipates conducting a pre-opening examination. The purpose of the examination is to ensure that policies, processes, systems and procedures are sufficient for the trust to conduct a safe and sound operation upon its opening, and to provide management with guidance for future regulatory requirements and expectations of the trust.

The Department anticipates conducting safety and soundness examinations of the trust in a manner that is consistent with its examination of state-chartered financial institutions under RCW 30A.04.060. In addition, this is anticipated to include limited scope examinations (Visitation) after the trust’s first six months of operations, as well as between future annual examinations. The purpose of the visitations is to ensure that operations have commenced in a satisfactory manner, to provide guidance regarding the trust’s operations, to follow up on any material exceptions noted in previous examinations and visitations, and to plan for the trust’s full scope safety and soundness examinations.

Full scope safety and soundness and compliance examinations would be conducted within the first 12 months of the trust’s opening, and every 12 months thereafter or more frequently if material issues need to be addressed. The examination would be similar in scope to that of a state chartered bank examination, with an emphasis placed on capital adequacy, asset quality, management, earnings, liquidity, and sensitivity to market risk (CAMELS). In addition, information technology examinations would be conducted in conjunction with every safety and soundness examination.

If the institution were deemed large and complex by the Director, the trust would be examined on a continuous examination cycle, with a dedicated examiner-in-charge and quarterly on site examinations of various areas of the trust, with an annual roll-up examination.

Examination hours are expected to increase over time as the trust grows and additional loans and investments are made. Costs will be supported by hourly fees charged to conduct examinations, visitations and provide technical

assistance.

## **II. B - Cash receipts Impact**

*Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.*

## **II. C - Expenditures**

*Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.*

## **Part III: Expenditure Detail**

## **Part IV: Capital Budget Impact**

## **Part V: New Rule Making Required**

*Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.*

# LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 5464 SB

Title: Washington investment trust

## Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

### Legislation Impacts:

- Cities: Cities that invest funds in the new state investment bank; additional infrastructure funding may become available to cities based depending upon the bank's rate of return
- Counties: Same as above
- Special Districts: Same as above
- Specific jurisdictions only:
- Variance occurs due to:

## Part II: Estimates

- No fiscal impacts.
- Expenditures represent one-time costs:
- Legislation provides local option: Cities, counties and special districts would have the option of investing funds in the new state investment bank
- Key variables cannot be estimated with certainty at this time: How many jurisdictions would investment funds; return on investment; amount of additional funds available for infrastructure projects

### Estimated revenue impacts to:

Indeterminate Impact

### Estimated expenditure impacts to:

None

## Part III: Preparation and Approval

Fiscal Note Analyst: Allan Johnson	Phone: 360-725-5033	Date: 02/10/2017
Leg. Committee Contact: Jeff Olsen	Phone: 360-786-7428	Date: 02/03/2017
Agency Approval: Steve Salmi	Phone: (360) 725 5034	Date: 02/10/2017
OFM Review: Gwen Stamey	Phone: (360) 902-9810	Date: 02/13/2017

## **Part IV: Analysis**

### **A. SUMMARY OF BILL**

*Provide a clear, succinct description of the bill with an emphasis on how it impacts local government.*

This bill creates a state-owned and operated trust to hold and manage state funds in order to facilitate investment in public infrastructure systems. A governing commission would be established. A transition board would also be established to set up the trust.

### **B. SUMMARY OF EXPENDITURE IMPACTS**

*Briefly describe and quantify the expenditure impacts of the legislation on local governments, identifying the expenditure provisions by section number, and when appropriate, the detail of expenditures. Delineate between city, county and special district impacts.*

This legislation would not directly affect local government expenditures.

### **C. SUMMARY OF REVENUE IMPACTS**

*Briefly describe and quantify the revenue impacts of the legislation on local governments, identifying the revenue provisions by section number, and when appropriate, the detail of revenue sources. Delineate between city, county and special district impacts.*

This legislation could result in indeterminate revenue impacts for local jurisdictions.

Jurisdictions would be able to invest public funds in the bank. It is not known how the rate of return on investment would compare to the return received by local government under current investment strategies. This investment would take place at an indeterminate time when the bank has been fully capitalized.

At an indeterminate time in the future the bill could create a positive fiscal impact on local governments by making additional funds available with which to finance infrastructure systems, depending on a variety of factors that could affect the trust.

#### **SOURCES:**

Association of Washington Cities

Department of Financial Institutions