

Multiple Agency Fiscal Note Summary

Bill Number: 5029 SB	Title: Washington investment trust
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Estimated Cash Receipts

Agency Name	2013-15		2015-17		2017-19	
	GF- State	Total	GF- State	Total	GF- State	Total
Office of State Treasurer	Non-zero but indeterminate cost. Please see discussion."					
Office of State Auditor	0	89,000	0	178,000	0	178,000
Department of Financial Institutions	0	246,582	0	390,308	0	451,684
Total \$	0	335,582	0	568,308	0	629,684

Estimated Expenditures

Agency Name	2013-15			2015-17			2017-19		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Office of State Treasurer	5.0	2,001,300	2,001,300	.0	0	0	.0	0	0
Office of State Auditor	.5	0	89,000	1.0	0	178,000	1.0	0	178,000
Department of Financial Institutions	1.3	0	308,597	1.6	0	390,308	1.7	0	451,684
Total	6.8	\$2,001,300	\$2,398,897	2.6	\$0	\$568,308	2.7	\$0	\$629,684

Estimated Capital Budget Impact

NONE

Prepared by: Cherie Berthon, OFM	Phone: 360-902-0659	Date Published: Final 2/ 5/2013
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* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note

FNPID 33325

Individual State Agency Fiscal Note

Bill Number: 5029 SB	Title: Washington investment trust	Agency: 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 2014	FY 2015	2013-15	2015-17	2017-19
FTE Staff Years	5.0	5.0	5.0	0.0	0.0
Account					
General Fund-State 001-1	726,800	1,274,500	2,001,300	0	0
Total \$	726,800	1,274,500	2,001,300	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: Edward Redmond	Phone: 360-786-7471	Date: 01/18/2013
Agency Preparation: Dan Mason	Phone: 360-902-9090	Date: 02/01/2013
Agency Approval: Dan Mason	Phone: 360-902-9090	Date: 02/01/2013
OFM Review: Diamatris Winston	Phone: (360) 902-7657	Date: 02/05/2013

Request # 027-1

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 5029 creates the:

1. Washington investment trust.
2. Washington investment trust commission comprised of the governor, lieutenant governor, secretary of state, attorney general, state treasurer, superintendent of public instruction, and commissioner of public lands.
3. Trust transition board
4. Investment trust advisory board.

Under section 4: The commission shall commence trust operations by July 1, 2014, 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, 2013, the commission must present an implementation plan and any necessary legislation to the governor and appropriate legislative committees. The full financial impact beyond FY 14 is indeterminable until the plan and legislation are known and approved. Under the present economic condition coupled with the general fund deficit position, the state treasurer will recommend to the commission that no state moneys be invested in the trust. 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 which 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.

The long-term low interest bearing loan programs are outside the scope of the investment policy objective, including duration of no longer than 3.5 years.

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

The full financial impact beyond FY 14 is indeterminate. The FY 15 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 2014	FY 2015	2013-15	2015-17	2017-19
FTE Staff Years	5.0	5.0	5.0		
A-Salaries and Wages	357,800	715,600	1,073,400		
B-Employee Benefits	89,000	178,900	267,900		
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-					
Total:	\$726,800	\$1,274,500	\$2,001,300	\$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 2014	FY 2015	2013-15	2015-17	2017-19
Washington Investment Trust	57,800	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						
Total FTE's	532,800	5.0	5.0	5.0		0.0

Part IV: Capital Budget Impact

NONE

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

Bill Number: 5029 SB	Title: Washington investment trust	Agency: 095-Office of State Auditor
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

ACCOUNT	FY 2014	FY 2015	2013-15	2015-17	2017-19
Auditing Services Revolving Account-Non-Appropriated 483-6		89,000	89,000	178,000	178,000
Total \$		89,000	89,000	178,000	178,000

Estimated Expenditures from:

	FY 2014	FY 2015	2013-15	2015-17	2017-19
FTE Staff Years	0.0	1.0	0.5	1.0	1.0
Account					
Auditing Services Revolving Account-Non-Appropriated 483-6	0	89,000	89,000	178,000	178,000
Total \$	0	89,000	89,000	178,000	178,000

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: Edward Redmond	Phone: 360-786-7471	Date: 01/18/2013
Agency Preparation: Janel Roper	Phone: 360-725-5600	Date: 01/24/2013
Agency Approval: Janel Roper	Phone: 360-725-5600	Date: 01/24/2013
OFM Review: Kathy Cody	Phone: (360) 902-9822	Date: 01/24/2013

Request # 2013-003-1

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 (3)

States, "The commission shall commence trust operations by July 1, 2014."

Section 13 (3)

Requires the state auditor to conduct an annual post-audit 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 SAO currently bills for state audit work at \$89.00 per hour. That billing rate is fully loaded and includes administrative overhead, management oversight and report processing. The SAO uses a risk assessment prior to the start of each audit, but for purposes of this fiscal note it is estimated that 1000 hours per year will be needed to conduct the required audit work. This estimate is based on prior audits conducted by the SAO.

Anticipated annual billable audit hours and the corresponding cash receipts.

1000 hours x \$89.00= \$89,000

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.

Assumptions used in object detail below:

- Expenditure assumptions include salaries, benefits, goods and services, administrative overhead, and estimated travel costs.
- Salaries and benefits are based on staff needed to complete the work as well as the management oversight, administrative support and report processing.
- Goods and Services include supplies, office space, telephone, etc. The figures were calculated based on SAO averages.
- Travel and per diem expenses were based on historical travel use for state audit.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2014	FY 2015	2013-15	2015-17	2017-19
FTE Staff Years		1.0	0.5	1.0	1.0
A-Salaries and Wages		61,027	61,027	122,054	122,054
B-Employee Benefits		13,426	13,426	26,852	26,852
C-Professional Service Contracts					
E-Goods and Other Services		11,167	11,167	22,334	22,334
G-Travel		3,380	3,380	6,760	6,760
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total:	\$0	\$89,000	\$89,000	\$178,000	\$178,000

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 2014	FY 2015	2013-15	2015-17	2017-19
Admn / Mgmt / Other	66,000		0.2	0.1	0.2	0.2
Assistant State Auditor	59,784		0.8	0.4	0.8	0.8
Total FTE's	125,784		1.0	0.5	1.0	1.0

Part IV: Capital Budget Impact

NONE

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

Bill Number: 5029 SB	Title: Washington investment trust	Agency: 102-Dept of Financial Institutions
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

ACCOUNT	FY 2014	FY 2015	2013-15	2015-17	2017-19
Financial Services Regulation Account-Non-Appropriated 300-6	48,228	198,354	246,582	390,308	451,684
Total \$	48,228	198,354	246,582	390,308	451,684

Estimated Expenditures from:

	FY 2014	FY 2015	2013-15	2015-17	2017-19
FTE Staff Years	0.9	1.6	1.3	1.6	1.7
Account					
Financial Services Regulation Account-Non-Appropriated 300-6	110,243	198,354	308,597	390,308	451,684
Total \$	110,243	198,354	308,597	390,308	451,684

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: Edward Redmond	Phone: 360-786-7471	Date: 01/18/2013
Agency Preparation: Levi Clemmens	Phone: (360) 902-8818	Date: 01/24/2013
Agency Approval: Gloria Papiez	Phone: (360) 902-8820	Date: 01/24/2013
OFM Review: Cherie Berthon	Phone: 360-902-0659	Date: 01/24/2013

Request # 13-001-1

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 TRANSITION BOARD (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, 2014.”

Section 13 FINANCIAL OVERSIGHT AND AUDIT (2) states, “The director shall examine the trust, taking into consideration the unique circumstances of a publicly owned financial institution. The trust shall pay the director for the reasonable costs of examinations.”

For the purposes of the fiscal note the Department used the following assumptions: Medium sized institution starting at \$1-3 billion and growing to \$5-7 billion within the first ten years.

The Department estimates that senior management of the DFI and its Division of Banks will provide such technical assistance as requested by the Trust Transition Board. For purposes of this fiscal note, the individual time spent by DFI Legal Counsel, DFI Bank Director, DFI Bank Program Managers, and DFI Bank Case Manager are represented collectively as a Program Manager.

The Department anticipates a pre-opening examination will be conducted (FY 2014). 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 Fiscal Note includes limited scope examinations (visitations) during the first two years, and annual full scope Safety and Soundness and Information Technology examinations.

The Department anticipates it will conduct Safety and Soundness examinations of the trust in a manner that is consistent with its examination of state-chartered financial institutions under RCW 30.04.060. This is anticipated to include a Visitation after the trust’s first six months of operation (FY 2015). The purpose of the visitation is to ensure that operations have commenced in a satisfactory manner, to provide guidance regarding the trust’s operations, and to plan for the trust’s first safety and soundness examination.

A full scope safety and soundness examination will be conducted within the first 12 months of the trust’s opening (FY 2015). The examination will 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 risks (CAMELS) and compliance with Washington laws and regulations. In addition, an Information Technology examination will be conducted.

In the third year (FY 2016) an 18-month visitation will be conducted. The scope will be to follow up on any material exceptions noted at the safety and soundness examination, provide additional guidance regarding the trust’s operations, and to plan for the following safety and soundness examination. The trust’s second full scope safety and soundness examination will be conducted within the first 24 months of operation. The focus will again be on the CAMELS

components and compliance with Washington laws and regulations, and will include an Information Technology examination.

In the fourth year (FY 2017) the trust's third full scope safety and soundness examination will be conducted within the first 36 months of operation. The focus will again be on the CAMELS components and compliance with Washington laws and regulations, and will include an Information Technology examination.

Thereafter, full scope safety and soundness examinations and IT examinations will be conducted on an annual basis or more frequently if material issues need to be addressed. Examination hours are expected to increase over time as the trust grows and additional loans and investments are made.

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.

Section 13 FINANCIAL OVERSIGHT AND AUDIT (2) states, "The director shall examine the trust, taking into consideration the unique circumstances of a publicly owned financial institution. The trust shall pay the director for the reasonable costs of examinations." Annual revenue estimates are based upon the Department's reasonable estimated examination costs as reflected in the expenditures section. Technical assistance costs in year 1 will be absorbed by the Department.

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.

Section 13 FINANCIAL OVERSIGHT AND AUDIT (2) states, "The director shall examine the trust, taking into consideration the unique circumstances of a publicly owned financial institution. The trust shall pay the director for the reasonable costs of examinations."

Assumptions used in the tables below:

- Expenditure assumptions include salaries, benefits, goods and services, equipment, supplies, administrative overhead, travel and per diem expenses, and attorney general costs.
- Salaries include the 3% temporary salary reduction effective July 1, 2011.
- The Program Manager FTE represents the collective impact on DFI management, which includes small portions of the following positions: DFI Legal Counsel, Bank Division Director, Program Managers, and the Case Manager.
- Benefits were calculated as 26.99% of wages.
- Travel and per diem expenses were based on OFM rates established for Thurston County as of October 1, 2012.
- Administrative overhead is calculated at 15% of program FTEs using a Fiscal Analyst 3 as a representative position.
- Attorney General costs of \$8,700 per fiscal year were calculated using 5% of an FTE.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2014	FY 2015	2013-15	2015-17	2017-19
FTE Staff Years	0.9	1.6	1.3	1.6	1.7
A-Salaries and Wages	67,469	108,199	175,668	216,398	231,690
B-Employee Benefits	18,265	29,299	47,564	58,598	62,738
C-Professional Service Contracts					
E-Goods and Other Services	17,457	22,867	40,324	45,734	47,738
G-Travel	3,852	34,789	38,641	69,578	109,518
J-Capital Outlays	3,200	3,200	6,400		
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total:	\$110,243	\$198,354	\$308,597	\$390,308	\$451,684

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 2014	FY 2015	2013-15	2015-17	2017-19
Financial Examiner 4	69,759	0.3	1.1	0.7	1.1	1.2
Fiscal Analyst 3	44,712	0.1	0.2	0.2	0.2	0.2
Program Manager	95,496	0.4	0.2	0.3	0.2	0.2
Secretary Senior	29,784	0.1	0.1	0.1	0.1	0.1
Total FTE's	239,751	0.9	1.6	1.3	1.6	1.7

Part IV: Capital Budget Impact

NONE

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 Community, Trade and Economic Development

Bill Number: 5029 SB	Title: Washington investment trust
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Part I: Jurisdiction

Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

- Cities:
- Counties:
- Special Districts:
- Specific jurisdictions only:
- Variance occurs due to:

Part II: Estimates

- No fiscal impacts.
- Expenditures represent one-time costs:
- Legislation provides local option:
- Key variables cannot be estimated with certainty at this time:

Part III: Preparation and Approval

Fiscal Note Analyst: Elizabeth Green-Taylor	Phone: 360-725-5036	Date: 01/24/2013
Leg. Committee Contact: Edward Redmond	Phone: 360-786-7471	Date: 01/18/2013
Agency Approval: Steve Salmi	Phone: (360) 725 5034	Date: 01/24/2013
OFM Review: Cherie Berthon	Phone: 360-902-0659	Date: 01/24/2013

Part IV: Analysis

A. SUMMARY OF BILL

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

Creates a state-owned and operated trust to hold and manage state funds in order to facilitate investment in public infrastructure systems. Clarifies certain trust exemptions from public disclosure laws.

DISCUSSION:

The intention of the bill is to establish a state-owned bank -- the Washington Investment Trust -- that will manage state funds in such a way as to make additional funds available for infrastructure investment. A governing commission is established, as is a transition board that will set up the trust. The trust would commence operations by July 1, 2014. "The trust may serve as the depository for state moneys and federal transportation funds once the trust has built sufficient capacity to accept and manage state moneys and federal transportation funds," which will take an indeterminate amount of time, depending on a variety of capitalization factors.

SUMMARY OF FISCAL ANALYSIS:

According to the Association of Washington Cities, this bill has no local government fiscal impact. At some indeterminate time in the future, the bill could create a somewhat 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. No local government expenditures are indicated.

DFI assumptions state: "Medium-sized institution starting at \$1-3 billion and growing to \$5-7 billion within the first ten years."

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.

No local government expenditure impact.

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.

No local government cash receipts impact.

SOURCES:

Association of Washington Cities
Department of Financial Institutions