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## Financial Institutions & Insurance Committee

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### HB 1669

**Brief Description:** Addressing the deposit of public funds.

**Sponsors:** Representatives Hunt, Hasegawa, Appleton, Miloscia, Warnick, Kirby, Williams and Ormsby.

<p><b>Brief Summary of Bill</b></p> <ul style="list-style-type: none"><li>• Authorizes the Public Deposit Protection Commission to approve credit unions as public depositories.</li></ul>
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**Hearing Date:** 2/5/09

**Staff:** Alison Hellberg (786-7152)

**Background:**

Public funds may only be deposited in banks and thrift institutions that have been designated as public depositories by the Public Deposit Protection Commission (Commission). The Commission was established in 1969 and is comprised of the Governor, the Lieutenant Governor, and the State Treasurer. The State Treasurer chairs the Commission and provides administrative support. The Commission is responsible for protecting all public funds deposited in public depositories. "Public funds" are those moneys belonging to or held for the state, its political subdivisions, municipal corporations, agencies, courts, boards, commissions, or committees, and includes moneys held in trust.

A "public depository" is defined as a financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has been approved by the Commission to hold public deposits, and which has segregated for the benefit of the Commission eligible collateral having a value of not less than its maximum liability. Credit unions may not be approved as public depositories.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

To be approved as a public depository, a bank or thrift must meet minimum requirements of the Commission and must pledge securities as collateral to protect public funds on deposit in all public depositories (not just for that particular institution). If deposit insurance and collateral pledged by a failed institution are insufficient to reimburse all public depositors, the other public depositories are each assessed a proportionate share of the shortfall.

The State Treasurer may contract with financial institutions for the provision of custody services for negotiable instruments owned by local governments or institutions of higher education. Credit unions are not allowed to provide custody services under these contracts.

**Summary of Bill:**

Credit unions may be approved as public depositories. A financial institution is authorized to serve as a public depository regardless of any exemptions from state taxes.

The State Treasurer may contract with credit unions for the provision of custody services.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.