

HOUSE BILL REPORT

ESHB 1669

As Reported by House Committee On:
Financial Institutions & Insurance

Title: An act relating to the deposit of public funds.

Brief Description: Addressing the deposit of public funds.

Sponsors: House Committee on Financial Institutions & Insurance (originally sponsored by Representatives Hunt, Hasegawa, Appleton, Miloscia, Warnick, Kirby, Williams and Ormsby).

Brief History:

Committee Activity:

Financial Institutions & Insurance: 2/5/09, 2/17/09 [DPS]; 1/14/10 [DP2S].

Brief Summary of Second Substitute Bill

- Authorizes the Public Deposit Protection Commission to approve credit unions as public depositaries.

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: The second substitute bill be substituted therefor and the second substitute bill do pass. Signed by 7 members: Representatives Kirby, Chair; Kelley, Vice Chair; Hurst, McCoy, Nelson, Santos and Simpson.

Minority Report: Do not pass. Signed by 4 members: Representatives Bailey, Ranking Minority Member; Parker, Assistant Ranking Minority Member; Roach and Rodne.

Staff: Alison Hellberg (786-7152).

Background:

Public funds may only be deposited in banks and thrift institutions that have been designated as public depositaries 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

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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.

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 Second Substitute 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. Credit union public depositories may not accept public funds in excess of their insured amount.

Second Substitute Bill Compared to Engrossed Substitute Bill:

The requirement that credit union public depositories pledge and segregate eligible securities in an amount equal to 100 percent of all public funds on deposit is removed.

Updates are made to the sections of bill that were amended in the 2009 session and to the effective date.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Second Substitute Bill: The bill takes effect on January 1, 2011.

Staff Summary of Public Testimony:

See House Bill Report in 2009.

Persons Testifying: See House Bill Report in 2009.

Persons Signed In To Testify But Not Testifying: See House Bill Report in 2009.