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**Business & Financial Services Committee**

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**HB 1327**

**Brief Description:** Increasing the permissible deposit of public funds with credit unions.

**Sponsors:** Representatives Kirby, Warnick, Miloscia, Fitzgibbon and Roberts.

**Brief Summary of Bill**

- Allows credit unions to accept deposits of public funds up to the amount insured by the National Credit Union Share Insurance Fund.
- Allows federally chartered credit unions to accept deposits of public funds.

**Hearing Date:** 1/27/11

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

**Background:**

Public funds may only be deposited in financial 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 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.

To be approved as a public depository, a financial institution must meet minimum requirements of the Commission and must pledge securities as collateral to protect public funds on deposit in

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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.

Credit unions doing business in Washington can be chartered by the state or federal government. The Department of Financial Institutions regulates state-chartered credit unions. The National Credit Union Share Insurance Fund (NCUSIF) insures deposits in credit unions up to \$250,000.

Legislation enacted in 2010 allows state-chartered credit unions to accept public deposits starting on July 1, 2011. Credit unions may accept the lesser of the federal deposit insurance limits or \$100,000. The maximum deposit applies to all funds attributable to any one depositor of public funds in any one credit union. Credit unions will be subject to Commission reporting requirements, but will not be part of the public depository pool.

**Summary of Bill:**

Credit unions may accept deposits up to the amount insured by the NCUSIF. In addition to state-chartered credit unions, federally chartered credit unions may also accept public deposits.

**Appropriation:** None.

**Fiscal Note:** Not requested.

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