

SENATE BILL REPORT

SB 5106

As of January 20, 2021

Title: An act relating to municipal access to local financial services.

Brief Description: Concerning municipal access to local financial services.

Sponsors: Senators Liias, Rivers and Wilson, C..

Brief History:

Committee Activity: Business, Financial Services & Trade: 1/21/21.

Brief Summary of Bill

- Removes the requirement that limits credit unions from accepting public deposits greater than the maximum insured amount from a county with a population greater than 300,000, or from public funds depositors located in a county with a population greater than 300,000 persons.

SENATE COMMITTEE ON BUSINESS, FINANCIAL SERVICES & TRADE

Staff: Clinton McCarthy (786-7319)

Background: Public funds may be deposited in a bank or trust company, savings bank, savings association, or a credit union under certain circumstances, that has been designated as a public depository by the Washington Public Deposit Protection Commission (commission). "Public funds" means money, including money held in trust, belonging to or held for the state, its political subdivisions, municipal corporations, agencies, courts, boards, commissions, or committees.

To be approved as a public depository, a bank, credit union, or thrift must meet minimum requirements of the commission and must pledge securities as collateral to protect public funds on deposit above the amounts insured under the Federal Deposit Insurance Corporation. If the deposit insurance and the collateral pledged by a failed institution are

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insufficient to reimburse, all public depositors, the other public depositories, as part of the public depository pool, are each assessed a proportionate share of the shortfall.

The commission may request a public depository to furnish information on its financial condition, public deposits, and on the exact status of its net worth. The commission may take any action deemed advisable for the protection of public funds and to establish procedures for collection or settlement of claims arising from the failure of a public depository.

In 2018, statute was amended to include credit unions in the definition of public depositories. Credit unions are allowed to accept public deposits greater than the maximum insured amount from a county with a population of 300,000 persons or less, or from public funds depositors located in a county with a population of 300,000 persons or less. Credit unions that receive public deposits must meet all of the minimum requirements of the commission, must pledge securities as collateral to protect public funds on deposit, and must participate in the public depository pool. The Department of Financial Institutions is permitted to rely on information from the National Credit Union Association regarding credit unions when investigating or examining public depositories.

Summary of Bill: The condition that limits credit unions from accepting public deposits greater than the maximum insured amount from a county with a population greater than 300,000, or from public funds depositors located in a county with a population greater than 300,000 persons is eliminated.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.