

**REVENUE:** No revenue impact

**FISCAL:** Fiscal statement issued

---

|                       |   |
|-----------------------|---|
| <b>Action:</b>        | Without Recommendation as to Passage, Be Referred to the Committee on Rules |
| <b>Vote:</b>          | 4 - 0 - 1   |
| <b>Yeas:</b>          | Schrader, Starr, Verger, Metsger  |
| <b>Nays:</b>          | -   |
| <b>Exc.:</b>          | George  |
| <b>Prepared By:</b>   | Jim Stembridge, Administrator   |
| <b>Meeting Dates:</b> | 2/18  |

---

**WHAT THE MEASURE DOES:** Permits credit unions to receive deposits of public funds on basis similar to that of banks. Allows State Treasurer to accept moneys. Continuously appropriates moneys to State Treasurer for initial expenses. Declares emergency, effective upon passage.

**ISSUES DISCUSSED:**

- Competition for public fund deposits and the interest rates paid on public funds
- Deposit options and free markets
- Taxation differences between cooperative non-profits and for-profit financial institutions
- Community needs and public entities that request to place deposits
- Collateral pools required to protect public dollars
- Start-up provisions, including five-credit-union participation threshold
- Impact on local community banks, including those currently in distress
- Percentage of public funds currently deposited in one community bank
- Allegations of political retribution

**EFFECT OF COMMITTEE AMENDMENT:** No amendment.

**BACKGROUND:** Credit unions are defined (ORS 723.006) as cooperative, nonprofit associations with the purposes of encouraging thrift among their members, creating sources of credit at a fair and reasonable rate of interest, and providing opportunities for members to use and control their own money in order to improve their economic and social condition. Banks are defined (ORS 706.008) as companies, other than extranational institutions, that accept deposits insured to any extent by the Bank Insurance Fund under the provisions of the Federal Deposit Insurance Act.

Current law allows both banks and credit unions to receive public funds deposits up to the amount that is insured, respectively, by the Federal Deposit Insurance Corporation (FDIC) and the National Credit Union Insurance Fund (NCUIF). Banks may receive in excess of the FDIC-insured amount if they have sufficient collateral, as overseen by the state Treasurer. House Bill 3700-A allows the same collateral arrangements and oversight for credit unions, enabling them to receive public funds deposits in excess of NCUIF-insured amounts. Like banks, participating credit unions would cover the costs of administration.