

REVENUE: Revenue statement issued

FISCAL: Fiscal statement issued

Action: Do Pass with Amendments to the A-Eng. Measure (Printed B-Eng.)

Vote: 5 - 0 - 0

Yeas: Atkinson, Burdick, Ferrioli, Metsger, Devlin

Nays: -

Exc.: -

Prepared By: Erin Seiler, Administrator

Meeting Dates: 2/19, 2/20, 2/22

WHAT THE MEASURE DOES: Permits credit unions to receive deposits of public funds similar to banks. Allows State Treasurer to accept moneys. Continuously appropriates moneys to treasurer for initial expenses. Sets effective date of January 1, 2013.

ISSUES DISCUSSED:

- Collateral pools parallel to banks
- Start-up provisions, including participation threshold of five credit unions
- Funding for program from participating credit unions
- Cross-collateral liability and other complexities of the program
- Treasurer's authority to suspend program
- Example of local credit union participation with local communities, including local bankers
- Current \$250,000 limit for deposit of public funds in credit unions
- Total Oregon public funds on deposit including the share held by local community banks
- Operative date alternatives
- Federal Credit Union Act of 1934 and use of tax exempt status by credit unions
- Current activities of local community banks, including commercial loans & job-creation, during difficult times
- Resulting additional liquidity, if any, provided by public fund deposits

EFFECT OF COMMITTEE AMENDMENT: Sets effective date of January 1, 2013.

BACKGROUND: Credit unions are defined in ORS 723.006 as cooperative, nonprofit associations with the objective 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 in ORS 706.008 in 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 fund 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 accept deposits in excess of the FDIC-insured amount if they have sufficient collateral, as overseen by the State Treasurer. House Bill 3700B allows the same collateral arrangements and oversight for credit unions, enabling them to receive public fund deposits in excess of NCUIF-insured amounts. Like banks, participating credit unions would cover the costs of administration.