REVENUE IMPACT OF PROPOSED LEGISLATION

75th Oregon Legislative Assembly
2010Special Session
Legislative Revenue Office

Bill Number: HB 3700 BMR

Revenue Area: Financial Management

Economist: Mazen Malik

Date: Feb-22-2010

Measure Description: Permits credit unions to receive deposits of public funds on basis similar to banks. Allows State Treasurer to accept moneys. Continuously appropriates moneys to State Treasurer for initial expenses. Effective date of January, 1, 2013.

Revenue Impact (in $Millions):

No direct impact and indeterminate indirect impact.

Impact Explanation:

Current law allows both banks and credit unions to receive public funds deposits up to the amount that is insured. Banks are insured 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 offer sufficient collateral, or/and deposit funds 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. The Minority report changes the effective date to January, 1st, 2013.
This measure is an enabling legislation that does not direct the funds and their place of deposit. In that sense there is no obligation or percentage of funds that will move from the commercial banks to credit unions. Credit unions are defined (ORS 723.006) as cooperative, nonprofit associations with the purposes of encouraging thrift among their members. However, if some public funds move from commercial banks (who pay corporate income /excise taxes) to credit unions, it could but does not necessarily directly lead to reduction in bank profits. In other words, granting public entities the option of depositing public funds may materially reduce the market share for these deposits for commercial banks and if this reduction led to a decrease in profitability for the commercial banks then that could be an indirect effect on state revenue. Assessing these indirect impacts is beyond the scope of the revenue impact analysis. In the same fashion, moving funds to a member owned organization (Credit Unions) might or might not reflect in higher income and therefore additional taxes paid by those members. The increase in interest income to the state is also not accurately estimable without a set of assumptions that are not dependent on the bill's direct effects.

Accordingly It is has been determined that there is no direct revenue impact because of this measure, and plausible but indeterminate indirect impacts. This later implementation date removes the indirect effects even further in the future.

Creates, Extends, or Expands Tax Expenditure: Yes ☐ No ☒

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