

**HOUSE BILL 2519-1****PUBLIC DEPOSITORY HOUSEKEEPING****BACKGROUND:**

HB 2519, as written, is an unused House Revenue Committee bill that the State Treasury would like to "gut-and-stuff" with two housekeeping issues related to the public depository system.

**EFFECTS OF LEGISLATION:**

With the adoption of the 2519-1 amendments, the bill would make two housekeeping fixes:

- **Credit union depository timeline fix:** HB 3700 (2010) provided that a credit union depository program would be established by the State Treasury once certain commitment triggers were met by the credit unions. However, the State Treasury would have had to establish the program at a certain date (January 1, 2013) even if the triggers were met close to or at that deadline.

Sections 1 and 2 of HB 2519 (as amended by the 2519-1 amendments) provide that the State Treasury will have sufficient lead time (6 months) after triggers are met to implement the program.

- **Public deposit protection:** Currently, ORS 295 (which governs Oregon's public depository programs) allows the State Treasurer – if good cause is shown – to offer a "grace period" of 90 days or less to public depositories that are in risk of having insufficient collateral to cover public deposits. However, because of a drafting error, the corrective course of action intended to be available at the end of that period does not apply if a grace period is granted.

Sections 3 through 5 correct that oversight by explicitly allowing the State Treasurer to take corrective action to protect public funds even if a grace period has been granted.

**WITHOUT PASSAGE:**

Without passage of HB 2519 (as amended by the 2519-1 amendments):

- With regard to the credit union depository program: The State Treasury is at risk of having to establish a fully-functional depository program with no time in which to do so. The practical result would be an inability to comply with the law as written. Fiscally, this creates the potential for an expenditure limitation request (of other funds) to the Emergency Board to hire outside resources to address this issue. Program-wise, this may mean we simply would not have the program up in time.
- With regard to the depository "grace periods": Without the subsequent ability to take corrective action, the State Treasurer is unlikely to extend such grace periods to any depository.

**RECOMMENDATION:**

Approve HB 2519 as amended by the 2519-1 amendments.

MEASURE: HB 2519-1  
 EXHIBIT: C  
 HOUSE REVENUE COMMITTEE  
 DATE: 5/19/2011 PAGES: 1  
 SUBMITTED BY: MICHAEL SELVAGGIO