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MEASURE: HB 2613
EXHIBIT: A
Senate Finance and Revenue 76th Session
DATE: 06-01-2011 PAGES: 1
SUBMITTED BY: Margen Malik

February 3, 2011

Re: House Bills 2612 and 2613

Rep. Bill Kennemer Rep. Mike Schaufler
State Capitol Building, H-380 State Capitol Building, H-382

Dear Co-Chairs:

Two bills dealing with public deposits, House Bills 2612 and 2613, have been scheduled for public hearings on Monday, February 7. The State Treasury is neutral on both bills. However, I will outline below what could be explained should the State Treasury's presence be required.

HB 2612: *Specifies that limit on aggregate amount of public funds deposits that may be held by depository applies only to uninsured public funds.*

This bill reverses a distinction that was made in 2010, and functionally increases the amount of public funds that a single institution may hold. We are largely fine with this, but would point out that an institution taking advantage of this change would be increasing the risk profile of its deposits (because a larger quantity of public deposits could be concentrated at a single institution and public deposits tend to be transitory in nature).

HB 2613: *Allows deposit of public funds in Oregon depository in amount in excess of statutory limit if Oregon depository redeposits funds into insured deposit accounts in other financial institutions, redeposited funds are federally insured and Oregon depository receives amount of deposits from other financial institutions in at least equal amount.*

This bill creates an exemption similar to the Certificate of Deposit Account Registry Service (CDARS), a private service that breaks up large deposits into CDs at a variety of banks in order to maximize the FDIC-covered amount. This exemption would apply to transaction accounts.

Please let me know if you require any further information from our office, or if you would like a representative from the State Treasury at the hearing on Monday. (Keeping in mind that we will neither endorse nor oppose the bills.)

Thank you.

A handwritten signature in black ink, appearing to read "Michael Selvaggio".

Michael Selvaggio

Cc: Staff, House Committee on Business and Labor