

**REVENUE: No Revenue Impact**  
**FISCAL: Minimal Fiscal Impact, No Statement Issued**

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**Action:** Do Pass  
**Vote:** 4-0-0  
**Yeas:** Hass, Morse, Telfer, Burdick  
**Nays:** 0  
**Exc.:** 0

**Prepared By:** Mazen Malik, Economist  
**Meeting Dates:** 6/01

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**WHAT THE BILL DOES:** Specifies that the current statutory limit on aggregate amount of public funds deposits that may be held by a bank depository applies only to uninsured public funds.

**ISSUES DISCUSSED:**

- Definitional issues - catch what we missed last time. Differences from the FDIC insured balances.
- Credit Union and bank issues started in the 2010 session. Letter from the Treasurer read into the record.
- Using Full FDIC protection, and the CDARS model as a base. New product.

**EFFECT OF COMMITTEE AMENDMENTS:** No amendments

**BACKGROUND:**

House Bill 2034 (2005) allow public funds to be deposited in amounts that exceed the statutory limit outlined in ORS 295.002 without the requirement of demonstrating that the depository has entered into a pledge agreement or deposited securities under specified circumstances, such as participating in a program like the Certificate of Deposit Account Registry Service (CDARS). CDARS is a reciprocal deposit program that breaks up large investments in order for such investments to be protected by Federal Deposit Insurance Corporation (FDIC) insurance. The advantage of using such programs is not only the FDIC insurance coverage, but also not having to collateralize public funds and the ability to quickly deploy the funds back into their local communities. For public funds, programs such as CDARS are limited to certificates of deposit, while businesses and individuals who participate in these programs can place funds in transition accounts. This measure extends this same ability to public entities.

A bank depository is an insured institution or trust that maintains either a head office or branch in Oregon in the capacity of an insured institution or trust company, and that complies with statutory conditions for acting as a custodian or bank depository (ORS 295.008). Current statute restricts a bank depository from permitting the aggregate of public funds deposits (funds under the control or in the custody of a public official by virtue of office) on deposit with the bank depository from all public officials to exceed at any time, with the amounts varying depending on whether the bank depository is classified as either an undercapitalized, adequately capitalized or well capitalized bank depository. Statute also limits the aggregate not to exceed 30 percent of the total aggregate uninsured public funds deposits of all public officials in all bank depositories as reported in the most recent notice received from the State Treasurer. Typically, "uninsured public funds" deposits are all Oregon public fund deposits that exceed the amount insured by the Federal Deposit Insurance Corporation (FDIC). This measure restricts the application of the current limits to only uninsured public funds.