

STAFF MEASURE SUMMARY

CARRIER:

Senate Committee on General Government, Consumer and Small Business Protection

REVENUE: No revenue impact**FISCAL: Minimal fiscal impact, no statement issued**

Action: Do Pass and Be Referred to the Committee on Finance and Revenue**Vote:** 4 - 0 - 1**Yeas:** Bonamici, Boquist, Monroe, Shields**Nays:** 0**Exc.:** George**Prepared By:** Patrick Brennan, Administrator**Meeting Dates:** 5/23, 5/25

WHAT THE MEASURE DOES: Allows the deposit of public funds in an Oregon depository in excess of the statutory limit if the depository redeposits into insured accounts in other financial institutions, if the redeposited funds are federally insured, and the Oregon depository receives an amount of deposits from other financial institutions in at least an equal amount.

ISSUES DISCUSSED:

- History of CDARS program
- Safety of insured deposits
- Troubles within financial industry in past years
- Investment of county moneys

EFFECT OF COMMITTEE AMENDMENT: No amendment.

BACKGROUND: House Bill 2034 (2005) allow public funds to be deposited in amounts that exceed the statutory limit outlined in ORS 285.002 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 program is available to both individuals and businesses and, due to the enactment of House Bill 2034, public entities. The advantage of using such programs is not only the FDIC insurance coverage, but not having to collateralize public funds and being able to quickly deploy the funds in 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. House Bill 2613 extends this same ability to public entities.

5/27/2011 9:05:00 AM

This summary has not been adopted or officially endorsed by action of the committee.