

REVENUE: No revenue impact

FISCAL: No fiscal impact

Action:	Be Adopted
Vote:	8 - 0 - 0
Yeas:	Cameron, Clem, Conger, Matthews, Sheehan, Smith J., Holvey, Whisnant
Nays:	0
Exc.:	0
Prepared By:	Jan Nordlund, Administrator
Meeting Dates:	4/5, 4/14

WHAT THE MEASURE DOES: Urges Congress to enact legislation to assist the Federal Deposit Insurance Corporation (FDIC) and the National Credit Union Share Insurance Fund in establishing a voluntary system of full insurance for public funds accounts and allows states to discard state-specific public fund collateralization.

ISSUES DISCUSSED:

- Requirement for banks and credit unions to collateralize above worth of public funds on deposit
- Economic benefit if funds are freed up for other purposes

EFFECT OF COMMITTEE AMENDMENT: No amendment.

BACKGROUND: State and local governments have deposits in banks and credit unions that are secured by a public funds collateral pool. Securitizing the deposits takes money out of circulation and restricts the amount of capital available for lending. Collateralization rules vary widely by state, which can discourage banks and credit unions from participating. House Joint Memorial 10 states that a nationally standardized system would increase bank and credit union participation and provide more depository options for local governments.

The FDIC adopted the Temporary Liquidity Guaranteed Program in 2008 in response to the global financial crisis. A major purpose of the program is to provide full coverage on non-interest bearing deposit transaction accounts, regardless of the dollar amount. The program is voluntary, and not all FDIC-insured entities have opted to participate.