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## Financial Institutions & Insurance Committee

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### SSB 6298

**Brief Description:** Authorizing limited deposits of public funds with credit unions.

**Sponsors:** Senate Committee on Financial Institutions, Housing & Insurance (originally sponsored by Senators Berkey, Rockefeller and Kline).

<p><b>Brief Summary of Substitute Bill</b></p>
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| <ul style="list-style-type: none"><li>• Allows state-chartered credit unions to accept public deposits with certain limitations.</li></ul> |
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**Hearing Date:** 2/17/10

**Staff:** Alison Hellberg (786-7152).

**Background:**

Public funds may only be deposited in banks and thrift institutions that have been designated as public depositaries by the Public Deposit Protection Commission (Commission). "Public funds" are those moneys belonging to or held for the state, its political subdivisions, municipal corporations, agencies, courts, boards, commissions, or committees, and includes moneys held in trust.

A "public depositary" is defined as a financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has been approved by the Commission to hold public deposits, and which has segregated for the benefit of the Commission eligible collateral having a value of not less than its maximum liability. Credit unions may not be approved as public depositaries.

To be approved as a public depositary, a bank or thrift must meet minimum requirements of the Commission and must pledge securities as collateral to protect public funds on deposit in all public depositaries (not just for that particular institution). If deposit insurance and collateral

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pledged by a failed institution are insufficient to reimburse all public depositors, the other public depositaries are each assessed a proportionate share of the shortfall.

Credit unions doing business in Washington can be chartered by the state or federal government. The Department of Financial Institutions regulates state-chartered credit unions. The National Credit Union Share Insurance Fund insures deposits in credit unions up to \$250,000 through December 31, 2013.

**Summary of Bill:**

Solely for the purpose of receiving public deposits, a state-chartered credit union may be a public depositary and is subject to Commission reporting requirements. A credit union is not a public depositary for any other purpose, including inclusion in the public depositary pool.

The public deposits that a credit union accepts may total the lesser of the federal deposit insurance limits or \$100,000. The maximum deposit applies to all funds attributable to any one depositor of public funds in any one credit union.

**Appropriation:** None.

**Fiscal Note:** Requested on February 17, 2010.

**Effective Date:** The bill takes effect July 1, 2011.