

# SENATE BILL REPORT

## SHB 1209

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As of January 31, 2018

**Title:** An act relating to municipal access to local financial services.

**Brief Description:** Addressing municipal access to local financial services.

**Sponsors:** House Committee on Business & Financial Services (originally sponsored by Representatives Bergquist, Vick, Kirby, Walsh and Blake).

**Brief History:** Passed House: 2/16/17, 73-24; 1/11/18, 80-18.

**Committee Activity:** Financial Institutions & Insurance: 2/01/18.

### Brief Summary of Bill

- Adds federal or state-chartered credit unions as financial institutions that the Washington Public Deposit Protection Commission (Commission) may designate as a public depository.
- Allows deposits of public funds in credit unions over insured amounts for a public funds depositor located in a county with a population of less than 300,000 persons.

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### SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

**Staff:** Jeff Olsen (786-7428)

**Background:** Unless expressly authorized by statute, public funds must be deposited in an eligible financial institution that has been designated as a public depository by the Commission. To be approved as a public depository, a financial institution must meet minimum requirements of the Commission and must pledge securities as collateral to protect public funds on deposit above the amounts insured under the Federal Deposit Insurance Corporation (FDIC). If deposit insurance and collateral pledged by a failed institution are insufficient to reimburse all public depositors, the other public depositories, as part of the public depository pool, are each assessed a proportionate share of the shortfall.

Credit unions may function as a public depository only for the purpose of receiving certain public deposits. State and federally chartered credit unions may only accept public deposits

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up to the amount insured by the National Credit Union Share Insurance Fund (NCUSIF). Currently, the maximum amount of funds, per depositor, insured by the NCUSIF is \$250,000.

The Commission can request a public depository to furnish information on its financial condition, public deposits, and on the exact status of its net worth. The Commission may also take any action deemed advisable for the protection of public funds and to establish procedures for collection or settlement of claims arising from the failure of a public depository.

**Summary of Bill:** The bill as referred to committee not considered.

**Summary of Bill (Proposed Striking Amendment):** Federal or state-chartered credit unions are added as financial institutions that the Commission may designate as a public depository. The restriction that a public depository may not claim exemption from the payment of any sales or use tax or ad valorem taxes in Washington is repealed. The restriction allowing a federal or state credit union to only receive public deposits up to the maximum insured amount of \$250,000 is modified allowing deposits of public funds in credit unions over the insured amount for a public funds depositor located in a county with a population of less than 300,000 persons.

The Commission may rely on information from the National Credit Union Administration to investigate the condition of any financial institution which makes application to become a public depository or has been designated as a public depository.

**Appropriation:** None.

**Fiscal Note:** Available.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony on Proposed Striking Amendment:** PRO: Local government customers are requesting more choices. Credit unions are non-profit community organizations that offer competitive services. There needs to be more options for financial services, especially in rural areas. While banks argue that credit unions do not pay B&O taxes, they do contribute other kinds of taxes. The current \$250,000 limit is restricting options for local governments. By adding more options, increased competition will create a robust financial services market. Certain credit unions are returning funding back to their local schools. Twenty-one other states allow credit unions to accept public deposits.

CON: The ability already exists for small institutions to deposit up to \$250,000 in a credit union. The current definition of a public depository excludes institutions that claim an exemption from state taxes. Should a credit union be allowed to extend beyond their field of membership?

OTHER: Credit unions may already accept public deposits up to \$250,000, the federally insured amount. The amendment to the House bill would allow deposits of unlimited funds

in 34 out of 39 counties. Some of these credit unions are not in rural communities. Banks contribute millions of dollars in B&O taxes, and with credit unions being exempt from paying the B&O tax they have an unfair competitive advantage. Why should the state forego B&O to finance commercial businesses? Banks currently recycle public funds back into the community. Banks offer full services including payroll and other banking services.

**Persons Testifying:** PRO: Benjamin Rutledge, Gesa Credit Union; Troy Stang, Northwest Credit Union Association; Harold Scoggins, Northwest Credit Union; Scott Adkins, Inspirus Credit Union; Don Clark, President/CEO, Sound Credit Union; Steve Oliver, Whatcom County Treasurer.

CON: Brad Tower, Community Bankers of Washington.

OTHER: Trent House, Washington Bankers Association; Lauri Beaudry, Washington Federal; Alan Crain, Bank of Kitsap; Paula Sardinas, NWCUA.

**Persons Signed In To Testify But Not Testifying:** No one.