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**Consumer Protection & Business  
Committee**

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**SB 5106**

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

**Sponsors:** Senators Liias, Rivers and Wilson, C..

**Brief Summary of Bill**

- Repeals the limitation that a credit union may only accept deposits greater than the maximum insured amount from a public funds depositor that either is a county with a population of 300,000 persons or less or is a public funds depositor located within a county with a population of 300,000 persons or less.

**Hearing Date:** 3/11/21

**Staff:** John Burzynski (786-7133).

**Background:**

The deposit and investment of public funds is governed by chapter 39.58 RCW. "Public funds" means moneys under the control of a treasurer, the State Treasurer, or custodian belonging to or held for the benefit of the State or any of its political subdivisions, public corporations, municipal corporations, agencies, courts, boards, commissions, or committees, including moneys held as trustee, agent, or bailee belonging to or held for the benefit of the State or any of its political subdivisions, public corporations, municipal corporations, agencies, courts, boards, commissions, or committees.

Subject to limited exceptions, public funds may only be deposited in a financial institution that has been designated as a public depository by the Washington Public Deposit Protection

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.*

Commission (Commission). The Commission may, in relevant part: (1) establish requirements for initial and continued qualification of financial institutions as public depositaries on the basis of a depositary's financial condition, including its capitalization, collateral, liquidity, and net worth; (2) require a public depositary furnish information on its financial condition, public deposits, and net worth; (3) take action for the protection, collection, compromise, or settlement of any claim arising in case of loss; and (4) make and enforce sanctions against a public depositary for noncompliance.

Public depositaries must meet the minimum requirements established by the Commission, complete a depositary pledge agreement with the Commission and a trustee, and maintain eligible collateral having a value at least equal to its maximum liability.

The Washington laws governing public deposits were amended in 2018 to include federal or state-chartered credit unions within the definition of financial institutions, making them eligible for designation as public depositaries. The Commission has designated multiple credit unions as public depositaries.

Washington law restricts credit unions from accepting certain public deposits. Credit unions may only accept deposits greater than the maximum insured amount from a public funds depositor that either: (1) is a county with a population of 300,000 persons or less; or (2) is a public funds depositor located within a county with a population of 300,000 persons or less.

**Summary of Bill:**

Repeals RCW 39.58.240, removing its limitation that a credit union may only accept deposits greater than the maximum insured amount from a public funds depositor that either: (1) is a county with a population of 300,000 persons or less; or (2) is a public funds depositor located within a county with a population of 300,000 persons or less.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.