

REVENUE: No revenue impact

FISCAL: Minimal fiscal impact, no statement issued

Action: Do Pass

Vote: 7 - 0 - 1

Yeas: Doherty, Esquivel, Hoyle, Johnson, Matthews, Kennemer, Schaufler

Nays: 0

Exc.: Conger

Prepared By: Theresa Van Winkle, Administrator

Meeting Dates: 2/7, 2/9

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

ISSUES DISCUSSED:

- Relationship between measure and House Bill 2612 (2011)
- Example of accounts that public funds can utilize due to the measure's provisions
- Economic impact of the measure on Oregon businesses
- Current credit market

EFFECT OF COMMITTEE AMENDMENT: No amendment.

BACKGROUND: House Bill 2034 (2005) allowed public funds to be deposited in an amount that exceeds 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 as 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 (CDs), 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.