

Department of Planning and Budget 2008 Fiscal Impact Statement

1. Bill Number: SB398

House of Origin	___	Introduced	___	Substitute	___	Engrossed
Second House	<u>X</u>	In Committee	___	Substitute	___	Enrolled

2. Patron: Puckett

3. Committee: Commerce and Labor

4. Title: Virginia Security of Public Deposits Act; qualified public depository;

5. Summary: Includes as eligible collateral Federal Home Loan Bank (FHLB) letters-of-credit that adhere to the guidelines as promulgated by the Treasury Board. The bill also amends the definition of “qualified public depository” to include banks or savings institutions that are organized under the laws of another state but have branches in Virginia, and defines “located in Virginia” as having a main office or branch in the Commonwealth where deposits are accepted, checks are paid, and money is lent. The proposed legislation contains an emergency clause and will become effective upon passage.

6. No Fiscal Impact.

7. Budget Amendment Necessary: No.

8. Fiscal Implications: None.

9. Specific Agency or Political Subdivisions Affected: Department of the Treasury and political subdivisions.

10. Technical Amendment Necessary: No.

11. Other Comments: As indicated above, this bill expands the definition of “eligible collateral” under the Security of Public Deposits Act (SPDA) to include FHLB letters-of-credit. Most states allow the use of the FHLB letters of credit to collateralize public deposits. Treasury Board has accepted the FHLB letters of credit as collateral since 2002. According to the Department of the Treasury, the Office of the Attorney General recommended that the FHLB letters of credit be expressly defined as eligible collateral in the SPDA. This is addressed by the proposed legislation.

The bill also amends the definition of “qualified public depository” to expressly include bank and savings institutions organized under the laws of other states with branches in Virginia. Treasury Board has allowed out-of-state banks and savings institutions to become qualified public depositories since Virginia passed the interstate banking laws. This amendment specifically includes them in the definition of a “qualified public depository.”

The proposed legislation codifies current practice.

Date: 1/31/2008 dpb

Document: G:\2008 Session\Fiscal Impact Statements\SB398S1.Doc

cc: Secretary of Finance