State of Wisconsin
2013 – 2014 LEGISLATURE

LRB–1329/1
ARG:wlj:jf

2013 SENATE BILL 66

March 7, 2013 – Introduced by Senators LASEE, LASSA, PETROWSKI, SHILLING and L. TAYLOR, cosponsored by Representatives MARKLEIN, BALLWEG, BERNIER, BIES, BROOKS, DOYLE, ENDSLEY, HONADEL, KAHL, T. LARSON, LEMAHIEU, SCHRAA and THIESFELDT. Referred to Committee on Financial Institutions and Rural Issues.

AN ACT ***to amend*** 20.144 (1) (a) 3. and 34.08 (2); and ***to create*** 20.144 (1) (a) 4. of the statutes; **relating to:** payments for losses of public deposits in failed or failing financial institutions.

Analysis by the Legislative Reference Bureau

Under current law, the Investment Board (SWIB) on behalf of the state, the county board on behalf of a county, the common council on behalf of city, the village or town board on behalf of a village or town, and the governing board of certain other local governmental units (collectively, public depositor) must designate one or more federal or state credit unions, federal or state savings and loan associations, state banks, savings and trust companies, federal or state savings banks, or national banks in this state (financial institutions) for deposit of all public moneys received by the public depositor. The Depository Selection Board must establish procedures for the selection of financial institutions receiving public deposits from state agencies. An appropriation to the Department of Financial Institutions (DFI) provides funds to repay public depositors for losses resulting from a failed or failing financial institution's failure to repay the deposit of public moneys. DFI administers the claims process against the moneys in this appropriation. The maximum payment that DFI can make to a public depositor for losses from a single financial institution is $400,000, not including any federal deposit insurance also paid to the public depositor. These loss payment provisions also apply to local government deposits in the local government pooled–investment fund managed by SWIB. Although the appropriation to DFI to pay public deposit losses to public depositors is a sum sufficient appropriation, there is a limit to the amount that may be expended from the appropriation. This limit is calculated based on the balance of the state deposit fund on June 30, 1955, plus interest accruing on that balance. Beginning on August 1, 1985, interest on the balance is calculated at a rate of 5 percent per year.

Also under current law, a financial institution that originates a residential mortgage loan on or after January 1, 1994, and that requires and maintains an escrow account for the borrower to assure the payment of property taxes or insurance by the borrower, must pay interest on the escrow account at the variable interest rate. This escrow account interest rate, which is calculated by DFI, is the average of the interest rates paid by financial institutions on regular passbook deposit accounts and is published annually by the Legislative Reference Bureau (LRB).

This bill increases, from $400,000 to $750,000, the maximum payment that DFI can make to a public depositor for losses from a single financial institution. The bill also decreases, from 5 percent per year to the escrow account interest rate published annually by the LRB, the interest accruing on the balance of the state deposit fund that is appropriated to pay public deposit losses.

For further information see the ***state and local*** fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

SECTION 1. 20.144 (1) (a) 3. of the statutes is amended to read:

20.144 **(1)** (a) 3. Beginning on August 1, 1985, interest on the balance under subd. 1. at a rate of 5% per year computed to the effective date of ~~any payment of a loss~~ this subdivision .... [LRB inserts date].

SECTION 2. 20.144 (1) (a) 4. of the statutes is created to read:

20.144 **(1)** (a) 4. Beginning on the effective date of this subdivision .... [LRB inserts date], interest on the balance under subd. 1. at the interest rate published under s. 138.052 (5) (am) 2. c. computed to the date of any payment of a loss.

SECTION 3. 34.08 (2) of the statutes is amended to read:

34.08 **(2)** Payments under sub. (1) shall be made in the order in which satisfactory proofs of loss are received by the division of banking. The payment made to any public depositor for all losses of the public depositor in any individual public depository may not exceed ~~$400,000~~ $750,000 above the amount of deposit insurance provided by an agency of the United States at the public depository that experienced the loss. Upon a satisfactory proof of loss, the division of banking shall direct the department of administration to draw its warrant payable from the appropriation under s. 20.144 (1) (a) and the secretary of administration shall pay the warrant under s. 16.401 (4) in favor of the public depositor that has submitted the proof of loss.

SECTION 4. Initial applicability.

(1) This act first applies to losses, as defined in section 34.01 (2) of the statutes, occurring on the effective date of this subsection.

SECTION 5. Effective date.

(1) This act takes effect on the first day of the 2nd month beginning after publication.

(END)