Wisconsin Department of Administration
Division of Executive Budget and Finance

Fiscal Estimate - 2013 Session

[X] Original [ ] Updated [ ] Corrected [ ] Supplemental

LRB Number **13-1329/1**	Introduction Number **SB-066**

Description
Payments for losses of public deposits in failed or failing financial institutions

Fiscal Effect

State:
[ ] No State Fiscal Effect
[X] Indeterminate
- [ ] Increase Existing Appropriations
- [ ] Decrease Existing Appropriations
- [ ] Create New Appropriations
- [ ] Increase Existing Revenues
- [ ] Decrease Existing Revenues
- [ ] Increase Costs - May be possible to absorb within agency's budget [ ] Yes [ ] No
- [ ] Decrease Costs

Local:
[X] No Local Government Costs
[ ] Indeterminate
1. [ ] Increase Costs [ ] Permissive [ ] Mandatory
2. [ ] Decrease Costs [ ] Permissive [ ] Mandatory
3. [ ] Increase Revenue [ ] Permissive [ ] Mandatory
4. [ ] Decrease Revenue [ ] Permissive [ ] Mandatory
5. Types of Local Government Units Affected
[ ] Towns [ ] Village [ ] Cities [ ] Counties [ ] Others [ ] School Districts [ ] WTCS Districts

Fund Sources Affected
[ ] GPR [ ] FED [X] PRO [ ] PRS [ ] SEG [ ] SEGS 20.144(1)(a)

Affected Ch. 20 Appropriations

Agency/Prepared By	Authorized Signature	Date
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Fiscal Estimate Narratives

DFI 3/22/2013

LRB Number 13-1329/1	Introduction Number SB-066	Estimate Type Original
Description Payments for losses of public deposits in failed or failing financial institutions		

Assumptions Used in Arriving at Fiscal Estimate

The public deposit guarantee account provides funds to pay public depositors for losses of deposits in a public depository. Recoveries received by the FDIC are credited back to the fund. Currently, coverage provided by this fund is limited to $400,000 per depositor per institution. This bill increases the maximum payment to $750,000 per depositor per institution.

Though a sum sufficient appropriation provides the funding for the payment of such losses to the public depositors, it is limited to the balance of the fund. Interest, calculated at a rate of 5% per year is accrued to the fund. The balance of the fund on December 31, 2012 was $48,644,539. This bill changes the annual interest paid on the account to the average of interest rates paid by financial institutions on regular passbook deposit accounts as calculated and published by the Department. For 2013, this amount was calculated at 0.20%.

In the past 30 years, a total of $4,024,000 in losses has been claimed by 17 public depositories related to three failures. Recoveries from the FDIC totaled $3,418,500, resulting in net payments from the fund of $605,500. Of the 17 claims, three reached the maximum $400,000.

The effect of this bill is indeterminate at this time. The total potential payment will increase or decrease depending upon the annual interest rate calculated and published by the Department as compared to the 5% rate under current law. However, with the increased limits in the bill, the fund balance may be decreased more quickly with the potential for higher individual claims as included in the legislation. Scenarios of events that would result in claims that would be of the magnitude to fully deplete the fund are unlikely.

Long-Range Fiscal Implications