



ASSOCIATION
OF SCHOOL
BUSINESS OFFICIALS

Testimony on Allowing Credit Unions to Accept Municipal Deposits- May 20, 2019

Good morning, I am Michael J. Borges, Executive Director of the Association of School Business Officials (ASBO) of New York. Our association represents 2,500 members across the state that work in the business offices of school districts and BOCES. Our members are the Chief Financial Officers (CFOs), Treasurers, Payroll and Account Clerks, District Clerks and Purchasing Agents.

The school business official acting as the Chief Financial Officer of the district or BOCES is responsible for their fiscal management including budgeting, borrowing, and investing as well as overseeing facilities, food service and transportation departments.

ASBO New York is generally supportive of allowing credit unions to accept municipal deposits as long as the same collateralization and securitization for deposit requirements that apply to banks are also applied to credit unions. Currently, bank deposits of up to \$250,000 are insured by the FDIC. School districts would want some similar securitization of their deposits with credit unions.

Also school district deposits are collateralized in the case of default by the bank for amounts above the FDIC limit by various financial instruments pledged by the bank that are permitted by law. These financial instruments can include eligible securities, surety bonds, letters of credit, etc.

Expanding the potential pool of banking options to include credit unions could increase the interest rates available to school districts. Based on reserve reporting included in the Property Tax Report Card, an overall interest rate increase of 0.25 percent would result in an additional \$12.1 million dollars for school districts. The average district has \$7.2 million across its reserves; a 0.25 percent rate increase would yield \$18,000 in additional interest.

In addition to allowing credit unions to accept municipal deposits, the Legislature should also consider other options that would boost school district investment income to help offset limitations on local and state revenue and rising costs.

Currently, school district investments are limited to savings accounts, certificate of deposits, and obligations of the US and NYS governments. In addition, the State Comptroller is authorized to give approval for investments in TANs and RANs issued by any municipality or school district in the state of New York.

A commission composed of school district and municipal chief financial officers as well as investment experts should be created to examine and recommend other alternatives that local governments could explore to expand their investment options and increase non-tax revenue. Such options could include investing in other federal or state agencies bond issuances such as Fannie Mae, Freddie Mac or the Dormitory Authority.