

Indiana Board for Depositories

Semi-Annual Report to the State Budget Committee

12/14/2011

In the 2010 legislative session, the Indiana General Assembly passed HEA 1336 that gave the Indiana Board for Depositories (IBFD) the tools to be more strategic in the safekeeping and prompt payment of public funds held in Indiana depositories. Until this time, the primary tool in fulfilling this mission was the maintenance and operation of the Public Deposit Insurance Fund (PDIF) which could be drawn upon to pay claims of those public funds held by a failed depository that were not covered by a federal deposit insurance program. Included in this legislation was the requirement for the IBFD to prepare a report each June and December on its activities and the status of the PDIF, and for the IBFD chairperson or designee to present the report to the budget committee at a public hearing. The following is the report for July through December 2011.

Recent Activities

The collateralization system became operational in May 2011. It is a tiered system based on the financial profile ratings of the Indiana depositories and the amount of non-federal insured public deposits held. Indiana depositories have the option of pledging marketable government securities or a letter of credit from the Federal Home Loan Bank.

It was reported at the December 12, 2011 board meeting that the average daily balance of net public funds (after deducting for FDIC coverage) held by the 183 approved depositories was approximately \$10.5 billion. This amount was not materially different than that reported in the last six month report.

The most recent financial profile ratings reflect a continuing improvement in the financial health of Indiana depositories. Based on those ratings and the reported average net public funds held as of September 30, 2011, 16 depositories are required to pledge and deliver collateral at 100% which covers approximately 2.7% of the total average daily balance; 24 depositories which hold 9% of funds are required to pledge at 50% which covers approximately 4.5% of the public funds; and 143 depositories are not required to pledge collateral. When voluntary 100% collateralization is factored in, approximately \$2.4 billion or 23% of the average daily balance of public funds held by Indiana depositories is secured by the collateralization program, a reduction from 26% in the last report.

Fund Status

As a supplement to the collateralization program summarized above, the PDIF had a fund balance of \$299.5 million as of November 30, 2011. The fund balance includes the \$5 million bond purchase agreement with the Indiana Housing and Community Development Authority and the \$50 million receivable from the State of Indiana. When the available PDIF balance is added to the collateralization program, the coverage of the security is increased from 23% to 25.5% of the average daily balance of public funds held by depositories.

There were no draws on the PDIF in the last six months.