

Indiana Board for Depositories

Semi-Annual Report to the State Budget Committee

6/4/2012

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 January through June 2012.

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. Approximately half of the depositories required to collateralize use letters of credit to satisfy all or a portion of their pledging requirements.

The average daily balance of net public funds (after deducting for FDIC coverage) held by the 179 approved depositories was approximately \$10.5 billion as of March 31, 2012, a decline from \$11 billion at the end of December 2011.

The most recent financial profile ratings reflect a general stability in the financial health of Indiana depositories. Based on those ratings and the reported average net public funds held as of March 31, 2012, 12 depositories are required to pledge and deliver collateral at 100% which covers approximately 1.3% of the total average daily balance; 23 depositories which hold 7.5% of funds are required to pledge at 50% which covers approximately 3.7% of the public funds; and 141 depositories are not required to pledge collateral. When voluntary 100% collateralization is factored in, approximately \$2.3 billion or 22.0% of the average daily balance of public funds held by Indiana depositories is secured by the collateralization program, a slight reduction from 23% in the last report.

Fund Status

As a supplement to the collateralization program summarized above, the PDIF had a fund balance of \$300 million as of May 31, 2012. 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 22.0% to 24.4% of the average daily balance of public funds held by depositories.

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

Appendix-Collateral Program Data (2011-12)

