

OVERVIEW: Under the Virginia Security for Public Deposit Act (SPDA), qualified public depositories that may accept funds from the Commonwealth, political subdivisions, and municipalities are limited to banks.

Credit Unions are seeking authority through budget language under the Department of Treasury to become qualified public depositories and hold taxpayer funds when they are not subject to the same taxation and regulation as banks.

REASONS TO OPPOSE BUDGET AMENDMENT ITEM 261 #1h

- **Since credit unions do not pay state taxes**, they should not be able to benefit from holding government funds.
- While credit unions are exempt from state business taxes, **all banks pay the Virginia Bank Franchise Tax, 80% of which is remitted directly to localities where those banks have branches. Credit unions are not subject to any equivalent tax.** Because the Bank Franchise Tax is allocated based on deposits held in those branches, any reductions in state or local deposits held at banks would mean a reduction in state and local revenue.
- **There is no lack of competition and plenty of existing options with 83 Qualified Public Depositories (QPDs) qualified by the Treasury**, the majority of which are Virginia-based community banks. Nearly half of all public deposits are held by banks with Virginia charters. All QPDs must have a Virginia location with deposit and lending functions.
- There are prudent but complex ongoing collateral requirements that banks of all sizes have the expertise to manage, track and comply with to become and remain qualified. **Neither local treasurers nor the Treasury have indicated a desire or need to change the current SPDA qualifications that have been in law for more than four decades.**
- **The SPDA is an important part of Virginia's financial structure** that supports the Commonwealth's Triple-A bond ratings. It should not be compromised.
- **Unlike banks, credit unions do not have any requirements to reinvest in low- and moderate-income communities in Virginia.** Credit unions have no legal responsibility or accountability to reinvest deposits into the very communities from which they are derived.

BOTTOM LINE: This is the latest example of credit unions wanting to expand their powers and act like banks but without paying equal taxes or complying with equal regulatory requirements.

We urge you to reject the budget amendment on Item 261 #1h.

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