



Testimony of the New York State School Boards Association

Assembly Standing Committees on Banks and Local Governments

Public Hearing: To determine the impact of allowing credit unions to take State and municipal deposits

Submitted May 20, 2019

Good morning. My name is Brian Fessler and I am the Deputy Director of Governmental Relations for the New York State School Boards Association. We appreciate the opportunity to submit testimony today to the Assembly Committee on Banks, Chairman Zebrowski, the Assembly Committee on Local Governments and Chairman Thiele, on behalf of the 675 local school boards we serve.

Under current state law, school districts and other municipalities, as well as the state government are not permitted to deposit funds, and access other financial services, through credit unions. School districts have been limited to using traditional commercial banks and other commercial institutions.

This current system works well for many school districts as our members are able access the services they need. And it will undoubtedly continue to do so. But school districts regularly look for ways to find budgetary savings and create operational efficiencies. Allowing municipalities, including school districts, the authority to deposit funds with credit unions would serve as another valuable option. On average, credit unions provide slightly better rates to those who deposit funds with such institutions than traditional commercial banks. Allowing school districts and other municipalities to access these rates could generate savings, and lead to an expansion in the marketplace, which could further improve rates for everyone, including school districts.

While the flexibility offered by working with credit unions could lead to direct financial savings for school districts, there are additional potential positives. The geographic location of a credit union within the school community may be more convenient and accessible for school district staff. This could save staff time for school district personnel. Engaging with credit unions would also be a relatively simple new activity. The banking process would not be much different for school districts when compared to their current activities with traditional banks. Deposits at both commercial banks and credit unions are insured up to statutory limits - banks through the Federal Deposit Insurance Corporation (FDIC) and credit unions through the National Credit Union Administration (NCUA).

Further, the historical reasons for the divergence between working with traditional banks and credit unions for school districts and municipalities simply no longer exist. At one time, credit unions were new, uncommon and perceived to be less stable and reliable than traditional banks. After decades of successful performance, the same can no longer be said. More than 100 million Americans safely and securely use credit unions for their personal banking needs.

To be clear, we are not advocating for or against traditional banks or for or against credit unions. We are supportive of increasing opportunities for school districts with regard to their financial service needs. As such, NYSSBA supports A.3262 (Zebrowski), which would effectively provide for this authorization. Permitting school districts to deposit funds with credit unions would help achieve that goal, allowing school districts to determine what works best for them - financially and operationally.

Thank you. I am happy to address any questions at this time.