

## CBA-Sponsored Legislation

### Assembly Bill 2618 (Chen): Reciprocal Deposits

Highlights

- *Assembly Bill 2618 (Chen) extends an existing permissive authority where local agencies may deposit up to 50 percent of their overall surplus funds with a depository institution that uses reciprocal deposits.*
- *Depository institutions that use reciprocal deposits to collateralize against local agency deposits are community banks operating within the geographical region of the local agency.*
- *This measure maintains flexibility for local agencies and banks as they work together in managing local agency funds and in serving their communities.*

Until January 1, 2026, Government Code Section 53601.8 allows, but does not mandate, a local agency to deposit up to 50 percent of their overall surplus funds with a depository institution that uses reciprocal deposits as a means of collateralization.

These local agency funds may be deposited into a certificate of deposit or a demand deposit account. Using reciprocal deposits allows the depository institution to accept a deposit from a local agency exceeding the Federal Deposit Insurance Corporation or National Credit Union Association standard insurance limit of \$250,000 (per depositor) while maintaining full insurance coverage over the entirety of the local agency's deposit.

Unless extended, on January 1, 2026, the maximum 50 percent of local agency funds that may be placed using reciprocal deposits will be reduced to 30 percent.

Depository institutions that use reciprocal deposits to collateralize against local agency deposits are community banks operating within the geographical region of the local agency. This measure maintains flexibility for local agencies and banks as they work together in managing local agency funds and in serving their communities.

Assembly Bill 2618 (Chen) eliminates the January 1, 2026, sunset date contained in Government Code Section 53601.8 thereby extending an existing permissive authority where local agencies may deposit up to 50 percent of their overall surplus funds with a depository institution that uses reciprocal deposits.

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