Government of the District of Columbia
Office of the Chief Financial Officer

Glen Lee
Chief Financial Officer

MEMORANDUM

TO:	**The Honorable Phil Mendelson** **Chairman, Council of the District of Columbia**
FROM:	**Glen Lee** **Chief Financial Officer**
DATE:	**October 14, 2025**
SUBJECT:	**Fiscal Impact Statement – Uniform Special Deposits Act of 2025**
REFERENCE:	**Draft Bill as provided to the Office of Revenue Analysis on October 3, 2025**

Conclusion

Funds are sufficient in the fiscal year 2026 through fiscal year 2029 budget and financial plan to implement the bill. The Department of Insurance, Securities and Banking (DISB) anticipates no expenditure to implement the bill.

Background

The Uniform Special Deposits Act (USDA) is a product of the Uniform Law Commission[1].[2] A special deposit is a bank deposit created for a specific purpose, distinct from a general deposit where funds are payable on demand. It is used to hold funds for various transactions (e.g. real estate closings, lease security deposits, or payroll) where the funds are released only after a contingent event occurs.

The bill establishes a new chapter in the D.C. Official Code overseeing Uniform Special Deposits to provide criteria for what constitutes a special deposit. The bill defines a special deposit as a deposit

[1] A nonprofit also called the National Conference of Commissioners on Uniform State Laws that was founded in 1892 and provides states with non-partisan uniform laws.
[2] Patrick Augustus Guida, T. C. (2025, February 13). Uniform Special Deposits Act Briefing. Retrieved from American Bar Association: https://www.americanbar.org/groups/business_law/resources/business-law-today/2025-february/uniform-special-deposits-act-briefing/#:~:text=Unlike%20deposits%20that%20are%20payable,a%20specified%20contingency%20has%20occurred.

of funds in a bank under an account agreement for the benefit of at least two beneficiaries[3], denominated in a medium of exchange that is currently authorized or adopted by a government for a permissible purpose stated in the account agreement[4] and that is subject to a contingency stated in the account agreement.

The bill sets forth the definition of a permissible purpose and requires a special deposit serve at least one permissible purpose stated in the account agreement from the time the special deposit is created until termination of the special deposit. If a bank or court finds that a special deposit fails to satisfy at least one permissible purpose, then the special deposit is no longer subject to the provisions regarding the right to property interest of a beneficiary; enforceability of the creditor process against the bank[5]; court injunction or similar relief[6]; or the restriction on a bank's right of recoupment or setoff[7]. Under such conditions the bank is authorized to terminate the special deposit.

The bill obligates the bank, unless the account agreement stipulates differently, to pay a beneficiary if there are sufficient funds in the balance of the special deposit and, to pay a beneficiary immediately when the contingency is met. If funds are insufficient, a beneficiary may elect to be paid the funds that are available (prorated if there is more than one beneficiary). The bill authorizes the bank to amend an agreement without the consent of the beneficiary, only if the agreement expressly permits the amendment; only if the amendment does not adversely and materially affect a payment right of the beneficiary; and only if the amendment is made in good faith.

The bill permits the parties to an account agreement to choose a forum in the District for settling a dispute arising out of the special deposit regardless of relation to the District. The bill stipulates that a bank does not have a fiduciary duty to any person with respect to a special deposit. Instead, the bill states that a bank has a debtor-creditor relationship with a beneficiary; the bank has a duty to comply with the account agreement; the bank is liable for damages proximately caused[8] by noncompliance; the bank may rely on records to determine obligation to pay a beneficiary; and the bank is not required to determine whether a permissible purpose stated in the agreement continues to exist.

[3] One or more of which may be a depositor.
[4] An agreement that is in a record between a bank and one or more depositors; may have one or more beneficiaries as additional parties; and states the intention of the parties to establish a special deposit governed by the bill.
[5] The creditor process with respect to a special deposit is not enforceable against the bank holding the special deposit unless it is with respect to an amount the bank is obligated to pay a beneficiary and if the process is served on the bank; provides sufficient information for the bank to identify the beneficiary; provides reasonable opportunity for the bank to act.
[6] A court may enjoin a bank from paying a depositor or beneficiary if payment would constitute or facilitate a material fraud.
[7] A bank may not exercise a right of recoupment or setoff against a special deposit unless: the account agreement stipulates that the bank becomes obligated to pay a beneficiary; the account incurs overdraft fees or costs related to the special deposit; there is a need to reverse an earlier credit; or the recoupment or setoff is against an obligation to pay a beneficiary.
[8] Except as provided by District law, the bank is not liable for consequential, special, or punitive damages.

The bill sets a five-year interval for special deposits, unless an account agreement states otherwise. If the bank cannot locate a beneficiary entitled to payment when the special deposit is terminated, and a balance remains, the bank is required to pay the balance to the depositor.

The bill applies to special deposits made on or after the effective date of the bill. For special deposits made before the effective date, all parties must agree to amend the account agreement to make the special deposit applicable, and the special deposit must serve at least one permissible purpose.

Financial Plan Impact

Funds are sufficient in the fiscal year 2026 through fiscal year 2029 budget and financial plan to implement the bill. The DISB anticipates no expenditure to implement the bill.