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A B I L L

To amend sections 135.18, 135.181, and 135.353 and to	1
enact section 135.144 of the Revised Code to	2
reduce pledging requirements by public	3
depositories securing repayment of public moneys;	4
to specify debt and other obligations of certain	5
out-of-state subdivisions as eligible to secure	6
repayment of state or political subdivision public	7
moneys; and to authorize investment of certain	8
political subdivision and county public moneys in	9
certificates of deposit issued by federally	10
insured banks and savings and loan associations,	11
wherever located, provided certain conditions	12
apply.	13

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF OHIO:

Section 1. That sections 135.18, 135.181, and 135.353 be	14
amended and section 135.144 of the Revised Code be enacted to read	15
as follows:	16

<u>Sec. 135.144. (A) In addition to the authority provided in</u>	17
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section 135.14 of the Revised Code, the treasurer or governing board of a political subdivision may invest interim moneys in certificates of deposit in accordance with all of the following:

(1) The interim moneys initially are deposited with an eligible public depository described in section 135.03 of the Revised Code and selected, pursuant to section 135.12 of the Revised Code, by the governing board of a political subdivision, for interim moneys of the political subdivision.

(2) For the treasurer or governing board of the political subdivision depositing the interim moneys pursuant to division (A)(1) of this section, the eligible public depository selected pursuant to that division invests the interim moneys in certificates of deposit of one or more federally insured banks or savings and loan associations, wherever located. The full amount of principal and any accrued interest of each certificate of deposit invested in pursuant to division (A)(2) of this section shall be insured by federal deposit insurance.

(3) For the treasurer or governing board of the political subdivision depositing the interim moneys pursuant to division (A)(1) of this section, the eligible public depository selected pursuant to that division acts as custodian of the certificates of deposit described in division (A)(2) of this section.

(4) At the same time that the eligible public depository selected in accordance with division (A)(1) of this section invests the deposit received pursuant to that division in the certificates of deposit described in division (A)(2) of this section, and the certificates of deposit are issued by the bank or savings and loan association, the eligible public depository receives an amount of deposits from customers of other federally insured financial institutions, wherever located, that are equal to or greater than the amount of the interim money initially

deposited pursuant to division (A)(1) of this section by the 49
treasurer or governing board of a political subdivision. 50

(B) Interim moneys deposited or invested in accordance with 51
division (A) of this section are not subject to any pledging 52
requirements described in section 135.18 or 135.181 of the Revised 53
Code. 54

Sec. 135.18. (A) The treasurer, before making the initial 55
deposit in a public depository pursuant to an award made under 56
sections 135.01 to 135.21 of the Revised Code, except as provided 57
in section 135.144 of the Revised Code, shall require the 58
institution designated as a public depository to pledge to and 59
deposit with the treasurer, as security for the repayment of all 60
public moneys to be deposited in the public depository during the 61
period of designation pursuant to the award, eligible securities 62
of aggregate market value equal to the excess of the amount of 63
public moneys to be at the time so deposited, over and above ~~such~~ 64
the portion or amount of such moneys as is at ~~such~~ that time 65
insured by the federal deposit insurance corporation or by any 66
other agency or instrumentality of the federal government. In the 67
case of any deposit other than the initial deposit made during the 68
period of designation, the amount of the aggregate market value of 69
securities required to be pledged and deposited shall be equal to 70
the difference between the amount of public moneys on deposit in 71
such public depository plus the amount to be so deposited, minus 72
the portion or amount of the aggregate as is at the time insured 73
as provided in this section. The treasurer may require additional 74
eligible securities to be deposited to provide for any 75
depreciation which may occur in the market value of any of the 76
securities so deposited. 77

(B) The following securities shall be eligible for the 78
purposes of this section: 79

(1) Bonds, notes, or other obligations of the United States; 80
or bonds, notes, or other obligations guaranteed as to principal 81
and interest by the United States or those for which the faith of 82
the United States is pledged for the payment of principal and 83
interest thereon, by language appearing in the instrument 84
specifically providing such guarantee or pledge and not merely by 85
interpretation or otherwise; 86

(2) Bonds, notes, debentures, letters of credit, or other 87
obligations or securities issued by any federal government agency 88
or instrumentality, or the export-import bank of Washington; 89
bonds, notes, or other obligations guaranteed as to principal and 90
interest by the United States or those for which the faith of the 91
United States is pledged for the payment of principal and interest 92
thereon, by interpretation or otherwise and not by language 93
appearing in the instrument specifically providing such guarantee 94
or pledge; 95

(3) Obligations of or fully insured or fully guaranteed by 96
the United States or any federal government agency or 97
instrumentality; 98

(4) Obligations partially insured or partially guaranteed by 99
any federal agency or instrumentality; 100

(5) Obligations of or fully guaranteed by the federal 101
national mortgage association, federal home loan mortgage 102
corporation, federal farm credit bank, or student loan marketing 103
association; 104

(6) Bonds and other obligations of this state; 105

(7) Bonds and other obligations of any county, township, 106
school district, municipal corporation, or other legally 107
constituted taxing subdivision of this state, which is not at the 108
time of such deposit, in default in the payment of principal or 109
interest on any of its bonds or other obligations, for which the 110

full faith and credit of the issuing subdivision is pledged; 111

(8) Bonds of other states of the United States which have not 112
during the ten years immediately preceding the time of such 113
deposit defaulted in payments of either interest or principal on 114
any of their bonds; 115

(9) Shares of no-load money market mutual funds consisting 116
exclusively of obligations described in division (B)(1) or (2) of 117
this section and repurchase agreements secured by such 118
obligations; 119

(10) A surety bond issued by a corporate surety licensed by 120
the state and authorized to issue surety bonds in this state 121
pursuant to Chapter 3929. of the Revised Code, and qualified to 122
provide surety bonds to the federal government pursuant to 96 123
Stat. 1047 (1982), 31 U.S.C.A. 9304; 124

(11) Bonds or other obligations of any county, municipal 125
corporation, or other legally constituted taxing subdivision of 126
another state of the United States, or of any instrumentality of 127
such county, municipal corporation, or other taxing subdivision, 128
for which the full faith and credit of the issuer is pledged and, 129
at the time of purchase of the bonds or other obligations, rated 130
in one of the two highest categories by at least one nationally 131
recognized standard rating service. 132

(C) If the public depository fails to pay over any part of 133
the public deposit made therein as provided by law, the treasurer 134
shall sell at public sale any of the bonds or other securities 135
deposited with the treasurer pursuant to this section or section 136
131.09 of the Revised Code, or shall draw on any letter of credit 137
to the extent of ~~such~~ the failure to pay. Thirty days' notice of 138
~~such~~ the sale shall be given in a newspaper of general circulation 139
at Columbus, in the case of the treasurer of state, and at the 140
county seat of the county in which the office of the treasurer is 141

located, in the case of any other treasurer. When a sale of bonds 142
or other securities has been so made and upon payment to the 143
treasurer of the purchase money, the treasurer shall transfer such 144
bonds or securities whereupon the absolute ownership of such bonds 145
or securities shall pass to the purchasers. Any surplus remaining 146
after deducting the amount due the state or subdivision and 147
expenses of sale shall be paid to the public depository. 148

(D) An institution designated as a public depository may, by 149
written notice to the treasurer, designate a qualified trustee and 150
deposit the eligible securities required by this section with the 151
trustee for safekeeping for the account of the treasurer and the 152
institution as a public depository, as their respective rights to 153
and interests in such securities under this section may appear and 154
be asserted by written notice to or demand upon the trustee. In 155
~~such~~ which case, the treasurer shall accept the written receipt of 156
the trustee describing the securities ~~which~~ that have been 157
deposited with the trustee by the public depository, a copy of 158
which shall also be delivered to the public depository. Thereupon 159
all ~~such~~ securities so deposited with the trustee are deemed to be 160
pledged with the treasurer and to be deposited with the treasurer, 161
for all the purposes of this section. 162

(E) The governing board may make provisions for the exchange 163
and release of securities and the substitution of other eligible 164
securities therefor except where the public depository has 165
deposited eligible securities with a trustee for safekeeping as 166
provided in this section. 167

(F) When the public depository has deposited eligible 168
securities described in division (B)(1) of this section with a 169
trustee for safekeeping, the public depository may at any time 170
substitute or exchange eligible securities described in division 171
(B)(1) of this section having a current market value equal to or 172
greater than the current market value of the securities then on 173

deposit and for which they are to be substituted or exchanged, 174
without specific authorization from any governing board, boards, 175
or treasurer of any such substitution or exchange. 176

(G) When the public depository has deposited eligible 177
securities described in divisions (B)(2) to (9) of this section 178
with a trustee for safekeeping, the public depository may at any 179
time substitute or exchange eligible securities having a current 180
market value equal to or greater than the current market value of 181
the securities then on deposit and for which they are to be 182
substituted or exchanged without specific authorization of any 183
governing board, boards, or treasurer of any such substitution or 184
exchange only if: 185

(1) The treasurer has authorized the public depository to 186
make such substitution or exchange on a continuing basis during a 187
specified period without prior approval of each substitution or 188
exchange. ~~Such~~ The authorization may be effected by the treasurer 189
sending to the trustee a written notice stating that substitution 190
may be effected on a continuing basis during a specified period 191
which shall not extend beyond the end of the period of designation 192
during which the notice is given. The trustee may rely upon ~~such~~ 193
this notice and upon the period of authorization stated therein 194
and upon the period of designation stated therein. 195

(2) No continuing authorization for substitution has been 196
given by the treasurer, the public depository notifies the 197
treasurer and the trustee of an intended substitution or exchange, 198
and the treasurer fails to object to the trustee as to the 199
eligibility or market value of the securities being substituted 200
within ten calendar days after the date appearing on the notice of 201
proposed substitution. The notice to the treasurer and to the 202
trustee shall be given in writing and delivered personally or by 203
certified or registered mail with a return receipt requested. The 204
trustee may assume in any case that the notice has been delivered 205

to the treasurer. In order for objections of the treasurer to be 206
effective, receipt of the objections must be acknowledged in 207
writing by the trustee. 208

(3) The treasurer gives written authorization for a 209
substitution or exchange of specific securities. 210

(H) The public depository shall notify any governing board, 211
boards, or treasurer of any substitution or exchange under 212
division (G)(1) or (2) of this section. Upon request from the 213
treasurer, the trustee shall furnish a statement of the securities 214
pledged against such public deposits. 215

(I) Any federal reserve bank or branch thereof located in 216
this state or federal home loan bank, without compliance with 217
Chapter 1111. of the Revised Code and without becoming subject to 218
any other law of this state relative to the exercise by 219
corporations of trust powers generally, is qualified to act as 220
trustee for the safekeeping of securities, under this section. Any 221
institution mentioned in section 135.03 of the Revised Code that 222
holds a certificate of qualification issued by the superintendent 223
of financial institutions or any institution complying with 224
sections 1111.04, 1111.05, and 1111.06 of the Revised Code, is 225
qualified to act as trustee for the safekeeping of securities, 226
other than those belonging to itself, under this section. Upon 227
application to the superintendent in writing by ~~any such~~ an 228
institution, the superintendent shall investigate the applicant 229
and ascertain whether or not it has been authorized to execute and 230
accept trusts in this state and has safe and adequate vaults and 231
efficient supervision thereof for the storage and safekeeping 232
within this state of ~~such~~ securities. If the superintendent finds 233
that the applicant has been so authorized and ~~does have~~ has such 234
vaults and supervision thereof, the superintendent shall approve 235
the application and issue a certificate to that effect, the 236
original or any certified copy of which shall be conclusive 237

evidence that the institution therein named is qualified to act as 238
trustee for the purposes of this section with respect to 239
securities other than those belonging to itself. 240

Notwithstanding the fact that a public depository is required 241
to pledge eligible securities in certain amounts to secure 242
deposits of public moneys, a trustee ~~shall have~~ has no duty or 243
obligation to determine the eligibility, market value, or face 244
value of any securities deposited with the trustee by a public 245
depository. This applies in all situations including, without 246
limitation, a substitution or exchange of securities. 247

Any charges or compensation of a designated trustee for 248
acting as such under this section shall be paid by the public 249
depository and in no event shall be chargeable to the state or the 250
subdivision or to the treasurer or to any officer of the state or 251
subdivision. The charges or compensation shall not be a lien or 252
charge upon the securities deposited for safekeeping prior or 253
superior to the rights to and interests in ~~such~~ the securities of 254
the state or the subdivision or of the treasurer. The treasurer 255
and the treasurer's bonders or surety shall be relieved from any 256
liability to the state or the subdivision or to the public 257
depository for the loss or destruction of any securities deposited 258
with a qualified trustee pursuant to this section. 259

Sec. 135.181. (A) As used in this section: 260

(1) "Public depository" means that term as defined in section 261
135.01 of the Revised Code, but also means an institution which 262
receives or holds any public deposits as defined in section 135.31 263
of the Revised Code. 264

(2) "Public deposits," "public moneys," and "treasurer" mean 265
those terms as defined in section 135.01 of the Revised Code, but 266
also have the same meanings as are set forth in section 135.31 of 267
the Revised Code. 268

(3) "Subdivision" means that term as defined in section 269
135.01 of the Revised Code, but also includes a county. 270

(B) In lieu of the pledging requirements prescribed in 271
sections 135.18 and 135.37 of the Revised Code, an institution 272
designated as a public depository at its option may pledge a 273
single pool of eligible securities to secure the repayment of all 274
public moneys deposited in the institution and not otherwise 275
secured pursuant to law, provided that at all times the total 276
market value of the securities so pledged is at least equal to one 277
hundred five per cent of the total amount of all public deposits 278
to be secured by the pooled securities, ~~including the portion of~~ 279
~~such deposits~~ that are not covered by any federal deposit 280
insurance. Each ~~such~~ institution shall carry in its accounting 281
records at all times a general ledger or other appropriate account 282
of the total amount of all public deposits to be secured by the 283
pool, as determined at the opening of business each day, and the 284
total market value of securities pledged to secure such deposits. 285

(C) The securities described in division (B) of section 286
135.18 of the Revised Code shall be eligible as collateral for the 287
purposes of division (B) of this section, provided no such 288
securities pledged as collateral are at any time in default as to 289
either principal or interest. 290

(D) The state and each subdivision shall have an undivided 291
security interest in the pool of securities pledged by a public 292
depository pursuant to division (B) of this section in the 293
proportion that the total amount of the state's or subdivision's 294
public moneys secured by the pool bears to the total amount of 295
public deposits so secured. 296

(E) An institution designated as a public depository shall 297
designate a qualified trustee and deposit with the trustee for 298
safekeeping the eligible securities pledged pursuant to division 299

(B) of this section. The institution shall give written notice of the qualified trustee to any treasurer or treasurers depositing public moneys for which such securities are pledged. The treasurer shall accept the written receipt of the trustee describing the pool of securities so deposited by the depository, a copy of which also shall be delivered to the depository.

(F) Any federal reserve bank or branch thereof located in this state or federal home loan bank, without compliance with Chapter 1111. of the Revised Code and without becoming subject to any other law of this state relative to the exercise by corporations of trust powers generally, is qualified to act as trustee for the safekeeping of securities, under this section. Any institution mentioned in section 135.03 or 135.32 of the Revised Code which holds a certificate of qualification issued by the superintendent of financial institutions or any institution complying with sections 1111.04, 1111.05, and 1111.06 of the Revised Code is qualified to act as trustee for the safekeeping of securities under this section, other than those belonging to itself or to an affiliate as defined in division (A) of section 1101.01 of the Revised Code. Upon application to the superintendent in writing by ~~any such an~~ an institution, the superintendent shall investigate the applicant and ascertain whether or not it has been authorized to execute and accept trusts in this state and has safe and adequate vaults and efficient supervision thereof for the storage and safekeeping of ~~such~~ securities. If the superintendent finds that the applicant has been so authorized and ~~does have~~ has such vaults and supervision thereof, the superintendent shall approve the application and issue a certificate to that effect, the original or any certified copy of which shall be conclusive evidence that the institution named therein is qualified to act as trustee for the purposes of this section with respect to securities other than those belonging

to itself or to an affiliate. 332

(G) The public depository at any time may substitute, 333
exchange, or release eligible securities deposited with a 334
qualified trustee pursuant to this section, provided that such 335
substitution, exchange, or release does not reduce the total 336
market value of the securities to an amount that is less than one 337
hundred five per cent of the total amount of public deposits as 338
determined pursuant to division (B) of this section. 339

(H) Notwithstanding the fact that a public depository is 340
required to pledge eligible securities in certain amounts to 341
secure deposits of public moneys, a trustee ~~shall have~~ has no duty 342
or obligation to determine the eligibility, market value, or face 343
value of any securities deposited with the trustee by a public 344
depository. This applies in all situations including, but not 345
limited to, a substitution or exchange of securities, but 346
excluding those situations effectuated by division (I) of this 347
section in which the trustee is required to determine face and 348
market value. 349

(I) If the public depository fails to pay over any part of 350
the public deposits made therein as provided by law and secured 351
pursuant to division (B) of this section, the treasurer shall give 352
written notice of this failure to the qualified trustee holding 353
the pool of securities pledged against public moneys deposited in 354
the depository, and at the same time shall send a copy of this 355
notice to the depository. Upon receipt of ~~such~~ this notice, the 356
trustee shall transfer to the treasurer for public sale ~~such of~~ 357
the pooled securities ~~as may be~~ that are necessary to produce an 358
amount equal to the deposits made by the treasurer and not paid 359
over, less the portion of ~~such~~ the deposits covered by any federal 360
deposit insurance, plus any accrued interest due on ~~such~~ the 361
deposits; however, the amount shall not exceed the state's or 362
subdivision's proportional security interest in the market value 363

of the pool as of the date of the depository's failure to pay over 364
the deposits, as ~~such~~ that interest and value are determined by 365
the trustee. The treasurer shall sell at public sale any of the 366
bonds or other securities so transferred. Thirty days' notice of 367
~~such~~ the sale shall be given in a newspaper of general circulation 368
at Columbus, in the case of the treasurer of state, and at the 369
county seat of the county in which the office of the treasurer is 370
located, in the case of any other treasurer. When a sale of bonds 371
or other securities has been so made and upon payment to the 372
treasurer of the purchase money, the treasurer shall transfer such 373
bonds or securities whereupon the absolute ownership of such bonds 374
or securities shall pass to the purchasers. Any surplus after 375
deducting the amount due the state or subdivision and expenses of 376
sale shall be paid to the public depository. 377

(J) Any charges or compensation of a designated trustee for 378
acting as such under this section shall be paid by the public 379
depository and in no event shall be chargeable to the state or 380
subdivision or to the treasurer or to any officer of the state or 381
subdivision. The charges or compensation shall not be a lien or 382
charge upon the securities deposited for safekeeping prior or 383
superior to the rights to and interests in ~~such~~ the securities of 384
the state or subdivision or of the treasurer. The treasurer and 385
the treasurer's bonders or surety shall be relieved from any 386
liability to the state or subdivision or to the public depository 387
for the loss or destruction of any securities deposited with a 388
qualified trustee pursuant to this section. 389

(K) In lieu of placing its unqualified endorsement on each 390
security, a public depository pledging securities pursuant to 391
division (B) of this section that are not negotiable without its 392
endorsement or assignment may furnish to the qualified trustee 393
holding the securities an appropriate resolution and irrevocable 394
power of attorney authorizing the trustee to assign the 395

securities. The resolution and power of attorney shall conform to 396
~~such~~ terms and conditions ~~as~~ the trustee prescribes. 397

(L) Upon request of a treasurer no more often than four times 398
per year, a public depository shall report the amount of public 399
moneys deposited by the treasurer and secured pursuant to division 400
(B) of this section, and the total market value of the pool of 401
securities pledged to secure public moneys held by the depository, 402
including those deposited by the treasurer. Upon request of a 403
treasurer no more often than four times per year, a qualified 404
trustee shall report the total market value of the pool of 405
securities deposited with it by the depository and shall provide 406
an itemized list of the securities in the pool. These reports 407
shall be made as of the date the treasurer specifies. 408

Sec. 135.353. In addition to the investments specified in 409
section 135.35 of the Revised Code, the investing authority of a 410
county may ~~invest~~ do both of the following: 411

(A) Invest inactive or public moneys in linked deposits as 412
authorized by resolution adopted pursuant to section 135.80 or 413
135.801 of the Revised Code; 414

(B) Invest inactive moneys in certificates of deposit in 415
accordance with all of the following: 416

(1) The inactive moneys initially are deposited with an 417
eligible public depository described in section 135.32 of the 418
Revised Code and selected by the investing authority. 419

(2) For the investing authority depositing the inactive 420
moneys pursuant to division (B)(1) of this section, the eligible 421
public depository selected pursuant to that division invests the 422
inactive moneys in certificates of deposit of one or more 423
federally insured banks or savings and loan associations, wherever 424
located. The full amount of principal and any accrued interest of 425

each certificate of deposit invested in pursuant to division 426
(B)(2) of this section shall be insured by federal deposit 427
insurance. 428

(3) For the investing authority depositing the inactive 429
moneys pursuant to division (B)(1) of this section, the eligible 430
public depository selected pursuant to that division acts as 431
custodian of the certificates of deposit described in division 432
(B)(2) of this section. 433

(4) At the same time that the eligible public depository 434
selected in accordance with division (B)(1) of this section 435
invests the deposit received pursuant to that division in the 436
certificates of deposit described in division (B)(2) of this 437
section, and the certificates of deposit are issued by the bank or 438
savings and loan association, the eligible public depository 439
receives an amount of deposits from customers of other federally 440
insured financial institutions, wherever located, that are equal 441
to or greater than the amount initially deposited by the investing 442
authority pursuant to division (B)(1) of this section. 443

(C) Inactive moneys deposited or invested in accordance with 444
division (B) of this section are not subject to any pledging 445
requirements described in section 135.181 or 135.37 of the Revised 446
Code. 447

Section 2. That existing sections 135.18, 135.181, and 448
135.353 of the Revised Code are hereby repealed. 449