

As Reported by the Senate Financial Institutions Committee

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Sub. S. B. No. 173

Senator Hughes

**Cosponsors: Senators Beagle, Brown, Jones, Jordan, Manning, Obhof,
Patton, Seitz, Stewart, Bacon, Kearney, Wilson**

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A B I L L

To amend sections 135.13, 135.144, 135.18, 135.353, 1
and 135.37 and to enact sections 135.145 and 2
135.354 of the Revised Code to permit the 3
Treasurer of State or a political subdivision, 4
upon the deposit of public moneys with an eligible 5
public depository, to arrange for the public 6
depository to redeposit those moneys with other 7
federally insured banks, savings banks, and 8
savings and loan associations in accordance with 9
specified conditions, to remove the one-year 10
maturity limitation for certificates of deposit 11
with respect to interim deposits, to alter the 12
authority of the Treasurer of State to invest 13
interim money in certificates of deposit, and to 14
require public depositories to provide certain 15
information to political subdivisions. 16

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

Section 1. That sections 135.13, 135.144, 135.18, 135.353, 17
and 135.37 be amended and sections 135.145 and 135.354 of the 18
Revised Code be enacted to read as follows: 19

Sec. 135.13. Inactive deposits shall be evidenced by time 20
certificates of deposit, each of which shall mature not later than 21
the end of the period of designation, and may provide on its face 22
that the amount of such deposit is payable upon written notice to 23
be given a specified period before the date of repayment or by 24
savings or deposit accounts, including, but not limited to, 25
passbook accounts. 26

Interim deposits shall be evidenced by time certificates of 27
deposit ~~maturing not more than one year from the date of deposit~~ 28
or by savings or deposit accounts, including, but not limited to, 29
~~pass-book~~ passbook accounts. 30

Sec. 135.144. (A) In addition to the authority provided in 31
section 135.14 or 135.143 of the Revised Code, the treasurer of 32
state and the treasurer or governing board of a political 33
subdivision may invest interim moneys in certificates of deposit 34
in accordance with all of the following: 35

(1) The interim moneys initially are deposited with an 36
eligible public depository described in section 135.03 of the 37
Revised Code and selected, pursuant to section 135.12 of the 38
Revised Code, by the treasurer of state or the treasurer or 39
governing board of a political subdivision, for interim moneys of 40
the state or of the political subdivision. 41

(2) For the treasurer of state or the treasurer or governing 42
board of the political subdivision depositing the interim moneys 43
pursuant to division (A)(1) of this section, the eligible public 44
depository selected pursuant to that division invests the interim 45
moneys in certificates of deposit of one or more federally insured 46
banks, savings banks, or savings and loan associations, wherever 47
located. The full amount of principal and any accrued interest of 48
each certificate of deposit invested in pursuant to division 49

(A)(2) of this section shall be insured by federal deposit insurance. 50
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(3) For the treasurer of state or 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. 52
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~~(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 treasurer or governing board of a political subdivision. On the same date the public moneys are redeposited by the public depository, the public depository may, in its sole discretion, choose whether to receive deposits, in any amount, from other banks, savings banks, or savings and loan associations.~~ 58
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(5) The public depository provides to the treasurer of state or the treasurer or governing board of a political subdivision a monthly account statement that includes the amount of its funds deposited and held at each bank, savings bank, or savings and loan association for which the public depository acts as a custodian pursuant to this section. 73
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(B) Interim moneys deposited or invested in accordance with division (A) of this section are not subject to any pledging requirements described in section 135.18 or 135.181 of the Revised 79
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Code. 82

Sec. 135.145. (A) In addition to the authority provided in 83
section 135.14 or 135.143 of the Revised Code for the investment 84
or deposit of interim moneys, the treasurer of state or the 85
treasurer or governing board of a political subdivision, upon the 86
deposit of interim moneys with, or the award of active or inactive 87
deposits to, an eligible public depository described in section 88
135.03 of the Revised Code and designated pursuant to section 89
135.12 of the Revised Code, may authorize the public depository to 90
arrange for the redeposit of such public moneys in accordance with 91
the following conditions: 92

(1) The public depository, on or after the date the public 93
moneys are received, arranges for the redeposit of the moneys into 94
deposit accounts in one or more federally insured banks, savings 95
banks, or savings and loan associations that are located in the 96
United States, and acts as custodian of the moneys deposited or 97
redeposited under this section. 98

(2) If the amount of the public moneys deposited with and 99
held at the close of business by the public depository exceeds the 100
amount insured by the federal deposit insurance corporation, the 101
excess amount is subject to the pledging requirements described in 102
section 135.18 or 135.181 of the Revised Code. 103

(3) The full amount of the public moneys redeposited by the 104
public depository into deposit accounts in banks, savings banks, 105
or savings and loan associations, plus any accrued interest, is 106
insured by the federal deposit insurance corporation. 107

(4) On the same date the public moneys are redeposited by the 108
public depository, the public depository may, in its sole 109
discretion, choose whether to receive deposits, in any amount, 110
from other banks, savings banks, or savings and loan associations. 111

(5) The public depository provides to the treasurer of state 112
or the treasurer or governing board of a political subdivision an 113
account statement at least monthly and access to daily reporting 114
that include the amount of its funds deposited and held at each 115
bank, savings bank, or savings and loan association for which the 116
public depository acts as a custodian pursuant to this section. 117

(B) Except as provided in division (A)(2) of this section, 118
the public moneys deposited in accordance with this section are 119
not subject to the pledging requirements described in section 120
135.18 or 135.181 of the Revised Code. 121

Sec. 135.18. (A) The treasurer, before making the initial 122
deposit in a public depository pursuant to an award made under 123
sections 135.01 to 135.21 of the Revised Code, except as provided 124
in section 135.144 or 135.145 of the Revised Code, shall require 125
the institution designated as a public depository to pledge to and 126
deposit with the treasurer, as security for the repayment of all 127
public moneys to be deposited in the public depository during the 128
period of designation pursuant to the award, eligible securities 129
of aggregate market value equal to the excess of the amount of 130
public moneys to be at the time so deposited, over and above the 131
portion or amount of such moneys as is at that time insured by the 132
federal deposit insurance corporation or by any other agency or 133
instrumentality of the federal government. In the case of any 134
deposit other than the initial deposit made during the period of 135
designation, the amount of the aggregate market value of 136
securities required to be pledged and deposited shall be equal to 137
the difference between the amount of public moneys on deposit in 138
such public depository plus the amount to be so deposited, minus 139
the portion or amount of the aggregate as is at the time insured 140
as provided in this section. The treasurer may require additional 141
eligible securities to be deposited to provide for any 142
depreciation which may occur in the market value of any of the 143

securities so deposited.	144
(B) The following securities shall be eligible for the purposes of this section:	145
(1) Bonds, notes, or other obligations of the United States; or bonds, notes, or other obligations guaranteed as to principal and interest by the United States or those for which the faith of the United States is pledged for the payment of principal and interest thereon, by language appearing in the instrument specifically providing such guarantee or pledge and not merely by interpretation or otherwise;	146
(2) Bonds, notes, debentures, letters of credit, or other obligations or securities issued by any federal government agency or instrumentality, or the export-import bank of Washington; bonds, notes, or other obligations guaranteed as to principal and interest by the United States or those for which the faith of the United States is pledged for the payment of principal and interest thereon, by interpretation or otherwise and not by language appearing in the instrument specifically providing such guarantee or pledge;	147
(3) Obligations of or fully insured or fully guaranteed by the United States or any federal government agency or instrumentality;	148
(4) Obligations partially insured or partially guaranteed by any federal agency or instrumentality;	149
(5) Obligations of or fully guaranteed by the federal national mortgage association, federal home loan mortgage corporation, federal farm credit bank, or student loan marketing association;	150
(6) Bonds and other obligations of this state;	151
(7) Bonds and other obligations of any county, township,	152

school district, municipal corporation, or other legally 174
constituted taxing subdivision of this state, which is not at the 175
time of such deposit, in default in the payment of principal or 176
interest on any of its bonds or other obligations, for which the 177
full faith and credit of the issuing subdivision is pledged; 178

(8) Bonds of other states of the United States which have not 179
during the ten years immediately preceding the time of such 180
deposit defaulted in payments of either interest or principal on 181
any of their bonds; 182

(9) Shares of no-load money market mutual funds consisting 183
exclusively of obligations described in division (B)(1) or (2) of 184
this section and repurchase agreements secured by such 185
obligations; 186

(10) A surety bond issued by a corporate surety licensed by 187
the state and authorized to issue surety bonds in this state 188
pursuant to Chapter 3929. of the Revised Code, and qualified to 189
provide surety bonds to the federal government pursuant to 96 190
Stat. 1047 (1982), 31 U.S.C.A. 9304; 191

(11) Bonds or other obligations of any county, municipal 192
corporation, or other legally constituted taxing subdivision of 193
another state of the United States, or of any instrumentality of 194
such county, municipal corporation, or other taxing subdivision, 195
for which the full faith and credit of the issuer is pledged and, 196
at the time of purchase of the bonds or other obligations, rated 197
in one of the two highest categories by at least one nationally 198
recognized standard rating service. 199

(C) If the public depository fails to pay over any part of 200
the public deposit made therein as provided by law, the treasurer 201
shall sell at public sale any of the bonds or other securities 202
deposited with the treasurer pursuant to this section or section 203
131.09 of the Revised Code, or shall draw on any letter of credit 204

to the extent of the failure to pay. Thirty days' notice of the 205
sale shall be given in a newspaper of general circulation at 206
Columbus, in the case of the treasurer of state, and at the county 207
seat of the county in which the office of the treasurer is 208
located, in the case of any other treasurer. When a sale of bonds 209
or other securities has been so made and upon payment to the 210
treasurer of the purchase money, the treasurer shall transfer such 211
bonds or securities whereupon the absolute ownership of such bonds 212
or securities shall pass to the purchasers. Any surplus remaining 213
after deducting the amount due the state or subdivision and 214
expenses of sale shall be paid to the public depository. 215

(D) An institution designated as a public depository may, by 216
written notice to the treasurer, designate a qualified trustee and 217
deposit the eligible securities required by this section with the 218
trustee for safekeeping for the account of the treasurer and the 219
institution as a public depository, as their respective rights to 220
and interests in such securities under this section may appear and 221
be asserted by written notice to or demand upon the trustee. In 222
which case, the treasurer shall accept the written receipt of the 223
trustee describing the securities that have been deposited with 224
the trustee by the public depository, a copy of which shall also 225
be delivered to the public depository. Thereupon all securities so 226
deposited with the trustee are deemed to be pledged with the 227
treasurer and to be deposited with the treasurer, for all the 228
purposes of this section. 229

(E) The governing board may make provisions for the exchange 230
and release of securities and the substitution of other eligible 231
securities therefor except where the public depository has 232
deposited eligible securities with a trustee for safekeeping as 233
provided in this section. 234

(F) When the public depository has deposited eligible 235
securities described in division (B)(1) of this section with a 236

trustee for safekeeping, the public depository may at any time 237
substitute or exchange eligible securities described in division 238
(B)(1) of this section having a current market value equal to or 239
greater than the current market value of the securities then on 240
deposit and for which they are to be substituted or exchanged, 241
without specific authorization from any governing board, boards, 242
or treasurer of any such substitution or exchange. 243

(G) When the public depository has deposited eligible 244
securities described in divisions (B)(2) to (9) of this section 245
with a trustee for safekeeping, the public depository may at any 246
time substitute or exchange eligible securities having a current 247
market value equal to or greater than the current market value of 248
the securities then on deposit and for which they are to be 249
substituted or exchanged without specific authorization of any 250
governing board, boards, or treasurer of any such substitution or 251
exchange only if: 252

(1) The treasurer has authorized the public depository to 253
make such substitution or exchange on a continuing basis during a 254
specified period without prior approval of each substitution or 255
exchange. The authorization may be effected by the treasurer 256
sending to the trustee a written notice stating that substitution 257
may be effected on a continuing basis during a specified period 258
which shall not extend beyond the end of the period of designation 259
during which the notice is given. The trustee may rely upon this 260
notice and upon the period of authorization stated therein and 261
upon the period of designation stated therein. 262

(2) No continuing authorization for substitution has been 263
given by the treasurer, the public depository notifies the 264
treasurer and the trustee of an intended substitution or exchange, 265
and the treasurer fails to object to the trustee as to the 266
eligibility or market value of the securities being substituted 267
within ten calendar days after the date appearing on the notice of 268

proposed substitution. The notice to the treasurer and to the trustee shall be given in writing and delivered personally or by certified or registered mail with a return receipt requested. The trustee may assume in any case that the notice has been delivered to the treasurer. In order for objections of the treasurer to be effective, receipt of the objections must be acknowledged in writing by the trustee.

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

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

(I) 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 of the Revised Code that 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, other than those belonging to itself, under this section. Upon application to the superintendent in writing by 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 within this state of securities. If the superintendent finds that the

applicant has been so authorized and has such vaults and 301
supervision thereof, the superintendent shall approve the 302
application and issue a certificate to that effect, the original 303
or any certified copy of which shall be conclusive evidence that 304
the institution therein named is qualified to act as trustee for 305
the purposes of this section with respect to securities other than 306
those belonging to itself. 307

Notwithstanding the fact that a public depository is required 308
to pledge eligible securities in certain amounts to secure 309
deposits of public moneys, a trustee has no duty or obligation to 310
determine the eligibility, market value, or face value of any 311
securities deposited with the trustee by a public depository. This 312
applies in all situations including, without limitation, a 313
substitution or exchange of securities. 314

Any charges or compensation of a designated trustee for 315
acting as such under this section shall be paid by the public 316
depository and in no event shall be chargeable to the state or the 317
subdivision or to the treasurer or to any officer of the state or 318
subdivision. The charges or compensation shall not be a lien or 319
charge upon the securities deposited for safekeeping prior or 320
superior to the rights to and interests in the securities of the 321
state or the subdivision or of the treasurer. The treasurer and 322
the treasurer's bonders or surety shall be relieved from any 323
liability to the state or the subdivision or to the public 324
depository for the loss or destruction of any securities deposited 325
with a qualified trustee pursuant to this section. 326

Sec. 135.353. (A) In addition to the investments specified in 327
section 135.35 of the Revised Code, the investing authority of a 328
county may do all of the following: 329

(1) Invest inactive or public moneys in linked deposits as 330
authorized by resolution adopted pursuant to section 135.80 or 331

135.801 of the Revised Code; 332

(2) Invest inactive or public moneys in linked deposits as 333
authorized by resolution adopted pursuant to section 135.805 of 334
the Revised Code for a term considered appropriate by the 335
investing authority, but not exceeding fifteen years, which 336
investment may be renewed for up to two additional terms with each 337
additional term not exceeding fifteen years. 338

(3) Invest inactive moneys in certificates of deposit in 339
accordance with all of the following: 340

(a) The inactive moneys initially are deposited with an 341
eligible public depository described in section 135.32 of the 342
Revised Code and selected by the investing authority. 343

(b) For the investing authority depositing the inactive 344
moneys pursuant to division (A)(3)(a) of this section, the 345
eligible public depository selected pursuant to that division 346
invests the inactive moneys in certificates of deposit of one or 347
more federally insured banks, savings banks, or savings and loan 348
associations, wherever located. The full amount of principal and 349
any accrued interest of each certificate of deposit invested in 350
pursuant to division (A)(3)(b) of this section shall be insured by 351
federal deposit insurance. 352

(c) For the investing authority depositing the inactive 353
moneys pursuant to division (A)(3)(a) of this section, the 354
eligible public depository selected pursuant to that division acts 355
as custodian of the certificates of deposit described in division 356
(A)(3)(b) of this section. 357

(d) ~~At the same time that the eligible public depository 358
selected in accordance with division (A)(3)(a) of this section 359
invests the deposit received pursuant to that division in the 360
certificates of deposit described in division (A)(3)(b) of this 361
section, and the certificates of deposit are issued by the bank or 362~~

~~savings and loan association, the eligible public depository 363
receives an amount of deposits from customers of other federally 364
insured financial institutions, wherever located, that are equal 365
to or greater than the amount initially deposited by the investing 366
authority pursuant to division (A)(3)(a) of this section On the 367
same date the public moneys are redeposited by the public 368
depository, the public depository may, in its sole discretion, 369
choose whether to receive deposits, in any amount, from other 370
banks, savings banks, or savings and loan associations. 371~~

(e) The public depository provides to the investing authority 372
a monthly account statement that includes the amount of its funds 373
deposited and held at each bank, savings bank, or savings and loan 374
association for which the public depository acts as a custodian 375
pursuant to this section. 376

(B) Inactive moneys deposited or invested in accordance with 377
division (A)(3) of this section are not subject to any pledging 378
requirements described in section 135.181 or 135.37 of the Revised 379
Code. 380

Sec. 135.354. (A) In addition to the authority provided in 381
section 135.35 of the Revised Code for the investment or deposit 382
of inactive moneys, the investing authority of a county, upon the 383
deposit of active or inactive moneys with an eligible public 384
depository described in section 135.32 of the Revised Code and 385
selected by the investing authority, may authorize the public 386
depository to arrange for the redeposit of such public moneys in 387
accordance with the following conditions: 388

(1) The public depository, on or after the date the public 389
moneys are received, arranges for the redeposit of the moneys into 390
deposit accounts in one or more federally insured banks, savings 391
banks, or savings and loan associations that are located in the 392
United States, and acts as custodian of the moneys deposited or 393

redeposited under this section. 394

(2) If the amount of the public moneys deposited with and 395
held at the close of business by the public depository exceeds the 396
amount insured by the federal deposit insurance corporation, the 397
excess amount is subject to the pledging requirements described in 398
section 135.181 or 135.37 of the Revised Code. 399

(3) The full amount of the public moneys redeposited by the 400
public depository into deposit accounts in banks, savings banks, 401
or savings and loan associations, plus any accrued interest, is 402
insured by the federal deposit insurance corporation. 403

(4) On the same date the public moneys are redeposited by the 404
public depository, the public depository may, in its sole 405
discretion, choose whether to receive deposits, in any amount, 406
from other banks, savings banks, or savings and loan associations. 407

(5) The public depository provides to the investing authority 408
an account statement at least monthly and access to daily 409
reporting that include the amount of its funds deposited and held 410
at each bank, savings bank, or savings and loan association for 411
which the public depository acts as a custodian pursuant to this 412
section. 413

(B) Except as provided in division (A)(2) of this section, 414
public moneys deposited in accordance with this section are not 415
subject to the pledging requirements described in section 135.181 416
or 135.37 of the Revised Code. 417

Sec. 135.37. (A) ~~Any~~ Except as provided in section 135.353 or 418
135.354 of the Revised Code, any institution described in section 419
135.32 of the Revised Code shall, at the time it receives a 420
deposit of public moneys under section 135.33 or 135.35 of the 421
Revised Code, pledge to and deposit with the investing authority, 422
as security for the repayment of all public moneys to be 423

deposited, eligible securities of aggregate market value equal to 424
or in excess of the amount of public moneys to be at the time so 425
deposited. Any securities listed in division (B) of section 135.18 426
of the Revised Code are eligible for such purpose. The collateral 427
so pledged or deposited may be in an amount that when added to the 428
portion of the deposit insured by the federal deposit insurance 429
corporation or any other agency or instrumentality of the federal 430
government will, in the aggregate, equal or exceed the amount of 431
public moneys so deposited; provided that, when an investment of 432
inactive moneys consists of the purchase of one or more of the 433
type of securities listed in division (A)(1) or (2) of section 434
135.35 of the Revised Code, no additional collateral need be 435
pledged or deposited. 436

The investing authority also may require that additional 437
eligible securities be pledged or deposited when depreciation 438
occurs in the market value of any securities pledged or deposited. 439

(B) The public depository may, at any time, provide for the 440
exchange or substitution of securities for other eligible 441
securities or the release of securities when the amount of public 442
moneys on deposit does not require that they be pledged or 443
deposited, by notifying the investing authority of its intent to 444
take such action. 445

Upon proper notification of the public depository's desire 446
for release of securities, the investing authority may sign a 447
release of such securities provided that the aggregate amount of 448
collateral remaining pledged or deposited meets the requirements 449
of divisions (A) to (E) of this section. 450

When a public depository desires to exchange or substitute 451
securities for other eligible securities, the investing authority 452
may release the securities pledged or deposited after the deposit 453
of other securities having a current market value equal to or 454
greater than the current market value of securities then on 455

deposit or after a safekeeping receipt has been received 456
evidencing the deposit and pledge of such securities. 457

(C) Upon request from the investing authority, the trustee or 458
the public depository shall furnish a statement of the securities 459
pledged against the public moneys deposited in the public 460
depository. 461

(D) If a public depository fails to pay over any part of any 462
public deposit made as provided by law, the investing authority 463
shall sell any pledged or deposited securities, as prescribed in 464
division (C) of section 135.18 of the Revised Code. 465

(E) A public depository may designate, in accordance with the 466
provisions of division (D) of section 135.18 of the Revised Code, 467
a trustee for the safekeeping of any pledged securities. Such 468
trustee shall be any bank or other institution eligible as a 469
trustee under division (I) of section 135.18 of the Revised Code, 470
except that, for the purposes of this section, a bank to which a 471
certificate of qualification is issued shall be an institution 472
mentioned in division (A) of section 135.32 of the Revised Code. 473

(F) In lieu of the pledging requirements prescribed in 474
divisions (A) to (E) of this section, an institution designated as 475
a public depository may pledge securities pursuant to section 476
135.181 of the Revised Code. 477

Section 2. That existing sections 135.13, 135.144, 135.18, 478
135.353, and 135.37 of the Revised Code are hereby repealed. 479