



Sub. H.B. 313

126th General Assembly
(As Passed by the House)

Reps. J. Stewart, Seitz, Webster, J. McGregor, T. Patton, Schneider, Wagoner, Widener, Hagan, Gibbs, Coley, Boccieri, Koziura, Buehrer, Domenick, C. Evans, Healy, Hughes, Martin, Otterman, Reidelbach, Schaffer, D. Stewart, Uecker

BILL SUMMARY

- Authorizes investment of certain county and other political subdivision moneys in certificates of deposit issued by federally insured banks and savings and loan associations, wherever located, provided certain conditions apply, and exempts these investments from the public depository requirement to pledge security for the repayment of public deposits.
- Reduces pledging requirements by public depositories securing repayment of public moneys under certain circumstances.
- Provides that bonds or other obligations of certain out-of-state political subdivisions are eligible to secure repayment of public moneys.

CONTENT AND OPERATION

Background on the Uniform Depository Act

The Uniform Depository Act (R.C. §§ 135.01 et seq.) regulates the investment of public moneys by governmental entities. Among other requirements, it establishes procedures for the eligibility and selection of public depositories. Under current law, public depositories must pledge to and deposit with the Treasurer of State (in the case of the state) or the officer exercising the functions of a treasurer (in the case of a political subdivision) "eligible securities of aggregate market value equal to the excess of the amount of public moneys to be at the time so deposited, over and above such portion or amount of such moneys as is at such time issued by the federal deposit insurance corporation (FDIC) or by any other agency or instrumentality of the federal government" (R.C. 135.18 and 135.37). Current Ohio law specifies the types of securities that are

eligible for this purpose. These primarily include various types of bonds, debentures, letters of credit, mutual funds, and other types of "blue chip" obligations.

The Act also offers a pledging option for public depositories. Currently, in lieu of the foregoing deposit requirement, the depository may pledge a single pool of eligible securities to secure the repayment of all public moneys deposited in the institution, provided that the value of these securities is at least equal to 105% of the total amount of public deposits, including the portion of deposits covered by the FDIC (R.C. 135.181).

The Uniform Depository Act classifies state and local government deposits (except for counties) as "active" deposits, "inactive" deposits, or "interim" deposits. "Active" deposits are those "necessary to meet current demands on the treasury," and primarily include funds that are available on demand. "Inactive" deposits include funds that are invested for a specific period of designation. "Interim" deposits are funds that will not be needed immediately "but will be needed before the end of the period of designation" (R.C. 135.01). For counties, "active moneys" are those deposits necessary to meet current demands, and "inactive moneys" are deposits in excess of the amount needed as active moneys (R.C. 135.31).

Certificates of deposit exempt from pledging requirements

(R.C. 135.144, 135.18(A), and 135.353)

In addition to current investment authority, the bill authorizes the treasurer or governing board of a political subdivision to invest "interim" moneys in a new category of certificate of deposit offered by eligible public depositories. Similarly, the bill authorizes the investing authority of a county to invest "inactive" moneys in the new category of certificate of deposit offered by eligible public depositories.

These newly permitted investments in certificates of deposit, whether by the county or other political subdivision, are not subject to the various pledging requirements for public depositories but must abide by the following conditions:

- (1) The county's investing authority or political subdivision's governing board must initially deposit the interim or inactive moneys, respectively, with the eligible public depository;
- (2) The eligible public depository, in turn, must then invest the interim or inactive moneys in certificates of deposit of one or more federally insured banks or savings and loan associations wherever located;
- (3) The full amount of the principal and interest of the investment must be insured by federal deposit insurance;

(4) The eligible public depository must act as custodian of the certificates of deposit;

(5) When the eligible public depository invests the county's or political subdivision's deposit and the bank or savings and loan institution issues the certificates of deposit, the public depository must receive an amount of deposits from customers of other federally insured financial institutions (wherever located) that are equal to or greater than the amount of public money deposited.

Modified "single pool" pledging requirements of public depositories

(R.C. 135.181)

Under the bill, public depositories retain the option to pledge a single pool of eligible securities to secure the repayment of all public moneys deposited in their institutions. However, the bill relieves public depositories from pledging securities to cover deposits that are already covered by the FDIC. Therefore, the total value of the pool of pledged securities need only be 105% of public deposits that are not covered by the FDIC. This appears to reduce the overall pledging requirements for public depositories electing this option.

Bonds of out-of-state political subdivisions as pledgeable securities

(R.C. 135.18(B))

The bill adds an additional type of security or obligation to the current eligible securities that may be pledged by a public depository as security for the repayment of public moneys. These are bonds or other obligations of any county, municipal corporation, or other legally constituted taxing subdivision of another state of the United States, or any instrumentality of such public entities, for which the full faith and credit of the issuer is pledged and, at the time of purchase, is rated in one of the two highest categories by at least one nationally recognized standard rating service.

HISTORY

ACTION	DATE
Introduced	07-12-05
Reported, H. Financial Institutions, Real Estate, & Securities	11-22-05
Passed House (94-0)	01-10-06

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