



Sub. H.B. 313

126th General Assembly

(As Reported by H. Financial Institutions, Real Estate, & Securities)

Reps. Stewart, Seitz, Webster, McGregor, Patton, Schneider, Wagoner

BILL SUMMARY

- Authorizes investment of certain political subdivision moneys in certificates of deposit issued by federally insured banks and savings and loan associations, wherever located, provided certain conditions apply.
- Reduces pledging requirements by public depositories securing repayment of public moneys under certain circumstances.
- Specifies bonds or other obligations of certain out-of-state political subdivisions as 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. Public depositories must pledge to and deposit with the treasurer of the 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 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). Ohio statute lists the specific 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" types of obligations.

The Uniform Depository Act differentiates between three classifications of deposits: "active" deposits, "inactive" deposits, and "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).

The Act also offers a pledging option for public depositories. 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, which includes deposits not covered by the FDIC (R.C. 135.181).

Public monies of political subdivisions may be invested in certificates of deposit

(proposed R.C. sec. 135.144 and sec. 135.353)

The bill authorizes the treasurer or governing board of a political subdivision, to invest "interim" moneys in certificates of deposit offered by eligible public depositories. Similarly, the bill authorizes the investing authority of a county, to invest political subdivision "inactive" moneys in certificates of deposit offered by eligible public depositories. The bill provides no additional authority for the treasurer of the state.

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

- (1) The public depository, in turn, invests the interim (or inactive) moneys in certificates of deposit of one or more federally insured banks or savings and loan associations wherever located;
- (2) The full amount of the principal and interest of the investment must be insured by federal deposit insurance;
- (3) The public depository must act as custodian of the certificates of deposit;
- (4) The public depository must receive an amount of deposits from customers of other federally insured financial institutions that are equal to or greater than the amount of public money deposited.

Reduces pledging requirements

(proposed R.C. sec. 135.144 and secs. 135.181 and 135.353)

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

(sec. 135.18)

The bill adds an additional type of security or obligation to the current law list of 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 issue is rated in one of the two highest categories by at least one nationally recognized standard rating service.

HISTORY

ACTION	DATE	JOURNAL ENTRY
Introduced	07-12-05	p. 1531
Reported, H. Financial Institutions, Real Estate, & Securities	11-22-05	p. 1883

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