



*Phil Mullin*

## ***Bill Analysis***

*Legislative Service Commission*

### **H.B. 530**

127th General Assembly  
(As Introduced)

**Reps. Hottinger and Dodd, Huffman, Budish, Harwood, Lundy, Slesnick, Newcomb, Dyer, DeGeeter, Book, Barrett, Domenick, Stebelton**

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#### **BILL SUMMARY**

- Requires the Treasurer of State to implement the SaveNOW program to make higher-rate savings accounts available to encourage increased personal savings by, and to promote financial education among, Ohio residents.
- Requires an eligible savings institution to offer SaveNOW savings accounts on the placement of a SaveNOW linked deposit with the institution.
- Permits Ohio residents to participate in the SaveNOW program upon agreeing to maintain a SaveNOW savings account with an eligible savings institution and completing the SaveNOW education program established and administered by the Treasurer.
- Permits the Treasurer to invest in SaveNOW linked deposits provided that the combined amount of investments of state money in linked deposits of any kind is not more than 12% of the state's average investment portfolio as determined by the Treasurer.
- Releases the state and the Treasurer from any liability under any SaveNOW savings account.
- Provides that misuse or misconduct by an eligible institution or eligible resident does not affect the deposit agreement between the institution and Treasurer.
- Requires the Treasurer to report on the SaveNOW program annually to the Governor, Speaker of the House, and Senate President.

- Requires the annual report to set forth the SaveNOW linked deposits made by the Treasurer during the year and include a list of eligible savings institutions and the number of the SaveNOW savings accounts at each of those institutions during the preceding year.

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## **CONTENT AND OPERATION**

### **SaveNOW Linked Deposit Program--introduction**

The bill establishes the SaveNOW program under which the Treasurer of State may place linked deposits of state money with certain financial institutions described in the bill. Those institutions must use a portion of the interest they earn on the SaveNOW linked deposits to provide special savings accounts to Ohio residents that earn higher than normal interest.<sup>1</sup>

### **SaveNOW program purpose**

(R.C. 135.102)

The General Assembly finds, as stated in the bill, that the personal savings rate among Ohioans has declined in recent years and that personal savings are important to the future prosperity of Ohio and must be encouraged and assisted. In order to promote increased personal savings and thereby materially contribute to the economic growth of Ohio and the financial security of Ohio residents, the bill creates the SaveNOW program. The bill declares that it is state public policy through the SaveNOW program to create an availability of higher-rate savings accounts for the purpose of increasing personal savings and promoting financial education among Ohio residents.

### **SaveNOW savings accounts**

#### **Participation and account requirements**

(R.C. 135.101 and 135.104(A) and (B))

Residents of Ohio may participate in the SaveNOW program created by the bill by agreeing to maintain a SaveNOW savings account at an eligible savings institution for the program period and by completing the SaveNOW education program (discussed below). Under the bill, a "SaveNOW savings account" means an interest-bearing account that is opened by an eligible resident at an eligible

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<sup>1</sup> Under the bill, "SaveNOW linked deposit" means a deposit placed by the Treasurer with an eligible savings institution at a rate determined and calculated by the Treasurer.

savings institution and that complies with program requirements. An "eligible savings institution" is a financial institution that offers savings accounts available to residents of Ohio, that is a public depository<sup>2</sup> of public money of the state, and that agrees to participate in the SaveNOW program. A "program period" is the length of time, not to exceed two years, established by the Treasurer that an account is eligible to receive the SaveNOW interest incentive. An "eligible resident" is an individual who is a resident of Ohio and who completes the SaveNOW education program.

Eligible savings institutions must accept applications for a SaveNOW savings account from eligible residents on a first-come, first-served basis on forms prescribed by the Treasurer. The eligible savings institution must offer those residents a SaveNOW savings account that satisfies all of the following: (1) opening and maintaining the account requires no minimum deposit, (2) no fees are charged for opening or using the account, and (3) all deposits in the account earn at least the premium savings rate. Under the bill "premium savings rate" means the highest savings rate that is offered by an eligible savings institution for large deposits, as approved by and negotiated with the Treasurer.

#### **Participation limitation**

(R.C. 135.104(E))

The provisions of the SaveNOW program prohibit eligible residents from holding more than one SaveNOW savings account during a program period, and the bill stipulates that an individual who holds an account jointly with another individual is considered to be holding an account. However, an individual with joint ownership of an account is not considered to be holding an account if the account is opened by a parent, grandparent, or guardian for a minor or for a dependent adult.

#### **SaveNOW education program**

(R.C. 135.104(A))

The bill specifies that the SaveNOW education program Ohio residents must complete in order to open a SaveNOW savings account must include a financial literacy assessment and a financial literacy program established and administered by the Treasurer.

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<sup>2</sup> A public depository is a financial institution that receives or holds public moneys deposited pursuant to Ohio's Uniform Depository Act.

### **Interest incentive**

(R.C. 135.104(C) and (D))

For the purpose of providing an additional incentive for saving, the bill requires a SaveNOW incentive rate of interest to accrue to the average daily balance of deposits in a SaveNOW savings account, up to \$5,000, during the program period at a rate that is equal to up to three percentage points above the premium savings rate. The interest earnings arising from the SaveNOW incentive rate of interest must be credited to the account in a lump sum at the conclusion of the program period. The SaveNOW incentive interest earnings also must be deducted from the interest earned on the state's SaveNOW linked deposit at the end of the eligible program period.

### **SaveNOW program administration**

(R.C. 135.105(A) and (B))

The bill requires the Treasurer to take any and all steps necessary to implement the SaveNOW program and to monitor the compliance of eligible savings institutions, including developing guidelines for the program as necessary. The bill also requires eligible savings institutions to offer SaveNOW savings accounts to eligible residents upon placement of SaveNOW linked deposits with those institutions. A certification of compliance with the program in the form and manner prescribed by the Treasurer is required of each institution.

### **Investment limitations**

(R.C. 135.103 and 135.63)

The Treasurer is permitted to invest in several linked deposit programs established under current law, provided that at the time of placement of any linked deposit under these programs the combined amount of investments in the linked deposits is not more than 12% of the state's average investment portfolio as determined by the Treasurer.<sup>3</sup> The Treasurer must give priority to the investment, liquidity, and cash flow needs of the state when deciding whether to invest in any of the linked deposits. The bill subjects the SaveNOW program linked deposits to those same limitations.

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<sup>3</sup> Linked deposit programs under current law are the linked deposit program (R.C. 135.61 to 135.67); the agricultural linked deposit program (R.C. 135.71 to 135.76); the housing linked deposit program (R.C. 135.81 to 135.87); and the assistive technology device linked deposit program (R.C. 135.91 to 135.97).

**Exclusion from liability**

(R.C. 135.106)

The bill provides that the state and the Treasurer are not liable to any eligible savings institution or any eligible resident in any manner for the terms associated with SaveNOW savings accounts. Any misuse or misconduct on the part of an institution or resident does not in any manner affect the deposit agreement between the institution and the Treasurer.

**Annual report**

(R.C. 135.105(C))

The bill requires the Treasurer to report on the SaveNOW program for the preceding calendar year by the first day of February, annually. The Treasurer is required to make the report to the Governor, the Speaker of the House, and the President of the Senate. The Speaker and the President must transmit copies of the report to the chairpersons of the standing committees of their respective houses that customarily consider legislation regarding finance. The report must set forth the SaveNOW linked deposits made by the Treasurer under the program during preceding the year and must include a list of eligible savings institutions and the number of SaveNOW savings accounts at each of those institutions during the preceding year.

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**HISTORY**

ACTION	DATE
Introduced	04-08-08

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