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Bill Analysis
Legislative Service Commission

Sub. S.B. 314*

127th General Assembly

(As Reported by S. Finance and Financial Institutions)

Sens. Carey, Mason, Spada, Harris, Roberts, D. Miller, Wilson, Fedor, Sawyer, Smith

BILL SUMMARY

- Requires the Treasurer of State to implement the SaveNOW program to create the availability of higher-rate savings accounts for the purpose of increasing personal savings and promoting financial education among Ohio residents.
- 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.
- Requires an eligible savings institution to offer SaveNOW savings accounts on the placement of a SaveNOW linked deposit with the institution.
- 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.
- Releases the state and the Treasurer from any liability under any SaveNOW savings account and provides that misuse or misconduct by an eligible institution or eligible resident does not affect the deposit agreement between the institution and Treasurer.

*This analysis was prepared before the report of the Senate Finance and Financial Institutions Committee appeared in the Senate Journal. Note that the list of co-sponsors and the legislative history may be incomplete.

- Requires the Treasurer to issue a report on the SaveNOW program annually to the Governor, Speaker of the House, and Senate President, setting forth the SaveNOW linked deposits made by the Treasurer during the year and including a list of eligible savings institutions and the number of the SaveNOW savings accounts at each of those institutions during the preceding year.
- Changes the current Small Business Linked Deposit Program to allow the Treasurer to place certificates of deposit with eligible lending institutions at a rate below the current market rate and to require an eligible lending institution to provide an eligible small business with a loan at a rate that is below that business' market borrowing rate and that reflects the percentage rate reduction of the linked deposit.

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.¹

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.

¹ 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.

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 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 depository² 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-serve 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, under the bill, an individual with joint ownership of an account is not considered to be holding an account if it is opened by a parent, grandparent, or guardian for a minor or for a dependent adult.

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

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.

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 monitor the compliance of eligible savings institutions, including the development of 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. Each institution is required to have a certificate of compliance with the program in the form and manner prescribed by the Treasurer.

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.³ The Treasurer must give priority to the investment, liquidity, and cash flow needs of the state when deciding whether to invest in the existing law linked deposits. The bill subjects the SaveNOW program linked deposits to those same current law limitations. In addition, the bill duplicates those provisions in a new section of law (applicable specifically to the investment of state money in SaveNOW linked deposits).

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. Under the bill, 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 of Representatives, and the President of the Senate. Under the bill, the Speaker of the House and the President of the Senate 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 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.

Small Business Linked Deposit Program

(R.C. 135.61, 135.62 (not in bill), 135.65, and 135.66)

The Small Business Linked Deposit Program, in recognition of economic hardship facing small businesses in Ohio, provides lower interest loans to eligible

³ 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).

small businesses. Current law requires the Treasurer to place applicable certificates of deposit with eligible institutions at a rate of up to 3% below the current market rate. It also requires eligible lending institutions to provide loans to eligible small businesses at a rate of 3% below each business' present borrowing rate.

The bill instead requires that the Treasurer place the certificates of deposit with an eligible institution at a rate that is below the current market rate. In turn, an eligible lending institution must provide loans to each eligible small business at a rate that reflects a percentage rate reduction below that business' present borrowing rate that is equal to the percentage rate reduction below the market rate at which the linked deposit was placed.

HISTORY

ACTION	DATE
Introduced	04-08-08
Reported, S. Finance & Financial Institutions	---

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