

ASSEMBLY BILL

No. 279

Introduced by Assembly Member Dickinson

February 11, 2013

An act to amend Sections 53601.8 and 53635.8 of the Government Code, relating to local government.

LEGISLATIVE COUNSEL'S DIGEST

AB 279, as introduced, Dickinson. Financial affairs.

Existing law prescribes the instruments in, and criteria by, which a local agency, as defined, may invest and deposit its funds, including its surplus funds. Existing law authorizes a local agency to invest in specified certificates of deposit.

This bill would remove the term “certificates of deposit” and instead authorize a local agency to invest in deposits. This bill would also exclude from public funds reporting requirements a private sector entity that assists a selected depository institution of a local agency’s deposits under certain conditions.

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 53601.8 of the Government Code is
2 amended to read:
3 53601.8. Notwithstanding Section 53601 or any other provision
4 of this code, a local agency that has the authority under law to
5 invest funds, at its discretion, may invest a portion of its surplus
6 funds in ~~certificates of deposit~~ *deposits* at a commercial bank,

1 savings bank, savings and loan association, or credit union that
2 uses a private sector entity that assists in the placement of
3 ~~certificates of deposit,~~ *deposits*, provided that the ~~purchases of~~
4 ~~certificates of deposit~~ *deposits placed* pursuant to this section,
5 Section 53635.8, and subdivision (i) of Section 53601 do not, in
6 total, exceed 30 percent of the agency's funds that may be invested
7 for this purpose. The following conditions shall apply:

8 (a) The local agency shall choose a nationally or state chartered
9 commercial bank, savings bank, savings and loan association, or
10 credit union in this state to invest the funds, which shall be known
11 as the "selected" depository institution.

12 (b) The selected depository institution may submit the funds to
13 a private sector entity that assists in the placement of ~~certificates~~
14 ~~of deposit~~ *deposits* with one or more commercial banks, savings
15 banks, savings and loan associations, or credit unions that are
16 located in the United States, for the local agency's account.

17 (c) The full amount of the ~~principal~~ *deposit placed pursuant to*
18 *this section* and the interest that may be accrued ~~during the~~
19 ~~maximum term of each certificate of deposit for each deposit~~ shall
20 at all times be insured by the Federal Deposit Insurance
21 Corporation or the National Credit Union Administration.

22 (d) The selected depository institution shall serve as a custodian
23 for each ~~certificate of deposit that is issued with the placement~~
24 ~~service for the local agency's account.~~

25 (e) ~~At the same time the local agency's funds are deposited and~~
26 ~~the certificates of deposit are issued,~~ *On the same date that the*
27 *local agency's funds are deposited pursuant to this section*, the
28 selected depository institution shall receive an amount of *insured*
29 ~~deposits from other commercial banks, savings banks, savings and~~
30 ~~loan associations, or credit unions~~ *financial institutions* that, in
31 total, are equal to, or greater than, the full amount of the principal
32 that the local agency initially deposited through the selected
33 depository institution ~~for investment pursuant to this section.~~

34 (f) Notwithstanding subdivisions (a) to (e), inclusive, ~~no~~ a credit
35 union ~~may~~ *shall not* act as a selected depository institution under
36 this section or Section 53635.8 unless both of the following
37 conditions are satisfied:

38 (1) The credit union offers federal depository insurance through
39 the National Credit Union Administration.

1 (2) The credit union is in possession of written guidance or other
2 written communication from the National Credit Union
3 Administration authorizing participation of federally insured credit
4 unions in one or more ~~certificate of deposit~~ deposit placement services
5 and affirming that the moneys held by those credit unions while
6 participating in a deposit placement service will at all times be
7 insured by the federal government.

8 (g) It is the intent of the Legislature that ~~nothing in~~ this section
9 shall *not* restrict competition among private sector entities that
10 provide placement services pursuant to this section.

11 (h) *Deposits received by the selected depository institution from*
12 *other financial institutions pursuant to subdivision (e) are not*
13 *subject to this article or to public funds reporting requirements*
14 *authorized under this article if the deposits are insured by the*
15 *Federal Deposit Insurance Corporation.*

16 SEC. 2. Section 53635.8 of the Government Code is amended
17 to read:

18 53635.8. Notwithstanding Section 53601 or any other provision
19 of this code, a local agency that has the authority under law to
20 invest funds, at its discretion, may invest a portion of its surplus
21 funds in ~~certificates of deposit~~ *deposits* at a commercial bank,
22 savings bank, savings and loan association, or credit union that
23 uses a private sector entity that assists in the placement of
24 ~~certificates of deposit~~, *deposits*, provided that the ~~purchases of~~
25 ~~certificates of deposit~~ *deposits placed* pursuant to this section,
26 Section 53601.8, and subdivision (i) of Section 53601 do not, in
27 total, exceed 30 percent of the agency's funds that may be invested
28 for this purpose. The following conditions shall apply:

29 (a) The local agency shall choose a nationally or state-chartered
30 commercial bank, savings bank, savings and loan association, or
31 credit union in this state to invest the funds, which shall be known
32 as the "selected" depository institution.

33 (b) The selected depository institution may submit the funds to
34 a private sector entity that assists in the placement of ~~certificates~~
35 ~~of deposit~~ *deposits* with one or more commercial banks, savings
36 banks, savings and loan associations, or credit unions that are
37 located in the United States, for the local agency's account.

38 (c) The full amount of the ~~principal~~ *deposit placed pursuant to*
39 *this section* and the interest that may be accrued ~~during the~~
40 ~~maximum term of each certificate of deposit~~ *for each deposit* shall

1 at all times be insured by the Federal Deposit Insurance
2 Corporation or the National Credit Union Administration.

3 (d) The selected depository institution shall serve as a custodian
4 for each ~~certificate of deposit that is issued with the placement~~
5 ~~service for the local agency's account.~~

6 (e) ~~At the same time the local agency's funds are deposited and~~
7 ~~the certificates of deposit are issued, On the same date that the~~
8 *local agency's funds are deposited pursuant to this section, the*
9 selected depository institution shall receive an amount of *insured*
10 deposits from other ~~commercial banks, savings banks, savings and~~
11 ~~loan associations, or credit unions~~ *financial institutions* that, in
12 total, are equal to, or greater than, the full amount of the principal
13 that the local agency initially deposited through the selected
14 depository institution for investment *pursuant to this section.*

15 (f) Notwithstanding subdivisions (a) to (e), inclusive, ~~no~~ a credit
16 union ~~may~~ *shall not* act as a selected depository institution under
17 this section or Section 53601.8 unless both of the following
18 conditions are satisfied:

19 (1) The credit union offers federal depository insurance through
20 the National Credit Union Administration.

21 (2) The credit union is in possession of written guidance or other
22 written communication from the National Credit Union
23 Administration authorizing participation of federally insured credit
24 unions in one or more ~~certificate of deposit placement services~~
25 and affirming that the moneys held by those credit unions while
26 participating in a deposit placement service will at all times be
27 insured by the federal government.

28 (g) It is the intent of the Legislature that ~~nothing in~~ this section
29 shall *not* restrict competition among private sector entities that
30 provide placement services pursuant to this section.

31 (h) *Deposits received by the selected depository institution from*
32 *other financial institutions pursuant to subdivision (e) are not*
33 *subject to this article or to public funds reporting requirements*
34 *authorized under this article if the deposits are insured by the*
35 *Federal Deposit Insurance Corporation.*