

AMENDED IN SENATE MAY 29, 2013  
AMENDED IN ASSEMBLY MARCH 21, 2013  
CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

**ASSEMBLY BILL**

**No. 279**

---

---

**Introduced by Assembly Member Dickinson**

February 11, 2013

---

---

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

LEGISLATIVE COUNSEL'S DIGEST

AB 279, as amended, 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, *until January 1, 2019*, remove the term “certificates of deposit” and instead authorize a local agency to invest in deposits, *as specified*. ~~This bill would also exclude from public funds reporting requirements specified deposits required under these provisions.~~

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

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

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

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

18 (c) The full amount of the deposit placed pursuant to ~~this section~~  
19 ~~subdivision (b) by the private sector entity~~ and the interest that  
20 may be accrued for each *such* deposit shall at all times be insured  
21 by the Federal Deposit Insurance Corporation or the National  
22 Credit Union Administration.

23 (d) The selected depository institution shall serve as a custodian  
24 for each *such* deposit.

25 (e) On the same date that the local agency's funds are ~~deposited~~  
26 ~~placed pursuant to this section~~ *subdivision (b) by the private sector*  
27 *entity*, the selected depository institution shall receive an amount  
28 of insured deposits from other financial institutions that, in total,  
29 are equal to, or greater than, the full amount of the principal that  
30 the local agency initially deposited through the selected depository  
31 institution pursuant to ~~this section~~ *subdivision (b)*.

32 (f) Notwithstanding subdivisions (a) to (e), inclusive, a credit  
33 union shall not act as a selected depository institution under this  
34 section or Section 53635.8 unless both of the following conditions  
35 are satisfied:

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

38 (2) The credit union is in possession of written guidance or other  
39 written communication from the National Credit Union  
40 Administration authorizing participation of federally insured credit

1 unions in one or more deposit placement services and affirming  
2 that the moneys held by those credit unions while participating in  
3 a deposit placement service will at all times be insured by the  
4 federal government.

5 (g) It is the intent of the Legislature that this section shall not  
6 restrict competition among private sector entities that provide  
7 placement services pursuant to this section.

8 ~~(h) Deposits received by the selected depository institution from  
9 other financial institutions pursuant to subdivision (e) are not  
10 subject to public funds reporting requirements authorized under  
11 this article if the deposits are insured by the Federal Deposit  
12 Insurance Corporation or the National Credit Union Administration.~~

13 (h) *The deposits placed pursuant to this section and Section  
14 53635.8 shall not, in total, exceed 30 percent of the agency's funds  
15 that may be invested for this purpose.*

16 (i) *Purchases of certificates of deposit pursuant to this section,  
17 Section 53635.8, and subdivision (i) of Section 53601 shall not,  
18 in total, exceed 30 percent of the agency's funds that may be  
19 invested for this purpose.*

20 (j) *This section shall remain in effect only until January 1, 2019,  
21 and as of that date is repealed, unless a later enacted statute, that  
22 is enacted before January 1, 2019, deletes or extends that date.*

23 SEC. 2. *Section 53601.8 is added to the Government Code, to  
24 read:*

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

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

39 (b) *The selected depository institution may submit the funds to  
40 a private sector entity that assists in the placement of certificates*

1 of deposit with one or more commercial banks, savings banks,  
 2 savings and loan associations, or credit unions that are located  
 3 in the United States for the local agency’s account.

4 (c) The full amount of the principal and the interest that may  
 5 be accrued during the maximum term of each certificate of deposit  
 6 shall at all times be insured by the Federal Deposit Insurance  
 7 Corporation or the National Credit Union Administration.

8 (d) The selected depository institution shall serve as a custodian  
 9 for each certificate of deposit that is issued with the placement  
 10 service for the local agency’s account.

11 (e) At the same time the local agency’s funds are deposited and  
 12 the certificates of deposit are issued, the selected depository  
 13 institution shall receive an amount of deposits from other  
 14 commercial banks, savings banks, savings and loan associations,  
 15 or credit unions that, in total, are equal to, or greater than, the  
 16 full amount of the principal that the local agency initially deposited  
 17 through the selected depository institution for investment.

18 (f) Notwithstanding subdivisions (a) to (e), inclusive, no credit  
 19 union may act as a selected depository institution under this section  
 20 or Section 53635.8 unless both of the following conditions are  
 21 satisfied:

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

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

31 (g) It is the intent of the Legislature that this section shall not  
 32 restrict competition among private sector entities that provide  
 33 placement services pursuant to this section.

34 (h) This section shall become operative on January 1, 2019.

35 ~~SEC. 2.~~

36 SEC. 3. Section 53635.8 of the Government Code is amended  
 37 to read:

38 53635.8. Notwithstanding Section 53601 or any other provision  
 39 of this code, a local agency that has the authority under law to  
 40 invest funds, at its discretion, may invest a portion of its surplus

1 funds in deposits at a commercial bank, savings bank, savings and  
2 loan association, or credit union that uses a private sector entity  
3 that assists in the placement of deposits, ~~provided that the deposits~~  
4 ~~placed pursuant to this section, Section 53601.8, and subdivision~~  
5 ~~(i) of Section 53601 do not, in total, exceed 30 percent of the~~  
6 ~~agency's funds that may be invested for this purpose~~ *deposits*. The  
7 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 deposits with  
14 one or more commercial banks, savings banks, savings and loan  
15 associations, or credit unions that are located in the United States,  
16 for the local agency’s account.

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

22 (d) The selected depository institution shall serve as a custodian  
23 for each *such* deposit.

24 (e) On the same date that the local agency’s funds are ~~deposited~~  
25 ~~placed pursuant to this section~~ *subdivision (b) by the private sector*  
26 *entity*, the selected depository institution shall receive an amount  
27 of insured deposits from other financial institutions that, in total,  
28 are equal to, or greater than, the full amount of the principal that  
29 the local agency initially deposited through the selected depository  
30 institution for investment pursuant to ~~this section~~ *subdivision (b)*.

31 (f) Notwithstanding subdivisions (a) to (e), inclusive, a credit  
32 union shall not act as a selected depository institution under this  
33 section or Section 53601.8 unless both of the following conditions  
34 are satisfied:

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

37 (2) The credit union is in possession of written guidance or other  
38 written communication from the National Credit Union  
39 Administration authorizing participation of federally insured credit  
40 unions in one or more deposit placement services and affirming

1 that the moneys held by those credit unions while participating in  
 2 a deposit placement service will at all times be insured by the  
 3 federal government.

4 (g) It is the intent of the Legislature that this section shall not  
 5 restrict competition among private sector entities that provide  
 6 placement services pursuant to this section.

7 ~~(h) Deposits received by the selected depository institution from  
 8 other financial institutions pursuant to subdivision (e) are not  
 9 subject to public funds reporting requirements authorized under  
 10 this article if the deposits are insured by the Federal Deposit  
 11 Insurance Corporation or the National Credit Union Administration.~~

12 (h) *The deposits placed pursuant to this section and Section  
 13 53601.8 shall not, in total, exceed 30 percent of the agency's funds  
 14 that may be invested for this purpose.*

15 (i) *Purchases of certificates of deposit pursuant to this section,  
 16 Section 53601.8, and subdivision (i) of Section 53601 shall not,  
 17 in total, exceed 30 percent of the agency's funds that may be  
 18 invested for this purpose.*

19 (j) *This section shall remain in effect only until January 1, 2019,  
 20 and as of that date is repealed, unless a later enacted statute, that  
 21 is enacted before January 1, 2019, deletes or extends that date.*

22 *SEC. 4. Section 53635.8 is added to the Government Code, to  
 23 read:*

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

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

38 (b) *The selected depository institution may submit the funds to  
 39 a private sector entity that assists in the placement of certificates  
 40 of deposit with one or more commercial banks, savings banks,*

1 *savings and loan associations, or credit unions that are located*  
2 *in the United States, for the local agency's account.*

3 *(c) The full amount of the principal and the interest that may*  
4 *be accrued during the maximum term of each certificate of deposit*  
5 *shall at all times be insured by the Federal Deposit Insurance*  
6 *Corporation or the National Credit Union Administration.*

7 *(d) The selected depository institution shall serve as a custodian*  
8 *for each certificate of deposit that is issued with the placement*  
9 *service for the local agency's account.*

10 *(e) At the same time the local agency's funds are deposited and*  
11 *the certificates of deposit are issued, the selected depository*  
12 *institution shall receive an amount of deposits from other*  
13 *commercial banks, savings banks, savings and loan associations,*  
14 *or credit unions that, in total, are equal to, or greater than, the*  
15 *full amount of the principal that the local agency initially deposited*  
16 *through the selected depository institution for investment.*

17 *(f) Notwithstanding subdivisions (a) to (e), inclusive, a credit*  
18 *union shall not act as a selected depository institution under this*  
19 *section or Section 53601.8 unless both of the following conditions*  
20 *are satisfied:*

21 *(1) The credit union offers federal depository insurance through*  
22 *the National Credit Union Administration.*

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

30 *(g) It is the intent of the Legislature that this section shall not*  
31 *restrict competition among private sector entities that provide*  
32 *placement services pursuant to this section.*

33 *(h) This section shall become operative on January 1, 2019.*

O