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I N A S S E M B L Y

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Introduced by M. of A. MAGNARELLI, JAFFEE, GALEF -- Multi-Sponsored by
-- M. of A. MARKEY -- read once and referred to the Committee on Local
Governments

AN ACT to amend the general municipal law, the state finance law and the
public authorities law, in relation to authorizing the state, local
governments and public authorities to arrange for redeposit of moneys
through a deposit placement program

THE PEOPLE OF THE STATE OF NEW YORK, REPRESENTED IN SENATE AND ASSEM-
BLY, DO ENACT AS FOLLOWS:

1 Section 1. Paragraph a of subdivision 2 of section 10 of the general
2 municipal law, as amended by chapter 623 of the laws of 1998, is amended
3 to read as follows:
4 a. (I) The governing board of every local government shall designate
5 one or more banks or trust companies for the deposit of public funds,
6 the disposition of which is not otherwise provided for by law, received
7 by the chief fiscal officer or any other officer authorized by law to
8 make deposits. Such designation shall be by resolution of the governing
9 board or, in the case of a city, such other body as may be authorized or
10 required by law to designate depositories. Such resolution shall speci-
11 fy the maximum amount which may be kept on deposit at any time in each
12 such bank or trust company. Such designations and amounts may be
13 changed at any time by further resolution.
14 (II) THE GOVERNING BOARD OF A LOCAL GOVERNMENT THAT HAS DESIGNATED ONE
15 OR MORE BANKS OR TRUST COMPANIES FOR THE DEPOSIT OF PUBLIC FUNDS PURSU-
16 ANT TO SUBPARAGRAPH (I) OF THIS PARAGRAPH MAY, IN ITS DISCRETION,
17 AUTHORIZE THE DESIGNATED BANK OR TRUST COMPANY TO ARRANGE FOR THE REDE-
18 POSIT OF THE LOCAL GOVERNMENT'S FUNDS IN ONE OR MORE BANKING INSTI-
19 TUTIONS, AS DEFINED IN SECTION NINE-R OF THE BANKING LAW, FOR THE
20 ACCOUNT OF THE LOCAL GOVERNMENT, THROUGH A DEPOSIT PLACEMENT PROGRAM
21 THAT MEETS ALL OF THE FOLLOWING CONDITIONS:
22 (A) ON OR AFTER THE DATE THAT THE LOCAL GOVERNMENT'S FUNDS ARE
23 RECEIVED, THE DESIGNATED BANK OR TRUST COMPANY (I) ARRANGES FOR THE
24 REDEPOSIT OF SUCH FUNDS INTO DEPOSIT ACCOUNTS IN ONE OR MORE BANKING

EXPLANATION--Matter in ITALICS (underscored) is new; matter in brackets
[] is old law to be omitted.

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1 INSTITUTIONS AND (II) SERVES AS CUSTODIAN FOR THE LOCAL GOVERNMENT WITH
2 RESPECT TO THE FUNDS REDEPOSITED INTO SUCH ACCOUNTS.

3 (B) LOCAL GOVERNMENT FUNDS DEPOSITED IN A DESIGNATED BANK OR TRUST
4 COMPANY IN ACCORDANCE WITH THIS SUBPARAGRAPH AND HELD IN THE DESIGNATED
5 BANK OR TRUST COMPANY IN EXCESS OF THE AMOUNT INSURED BY THE FEDERAL
6 DEPOSIT INSURANCE CORPORATION PENDING REDEPOSIT OF THE FUNDS PURSUANT TO
7 THIS SUBPARAGRAPH SHALL BE SECURED IN ACCORDANCE WITH SUBDIVISION THREE
8 OF THIS SECTION.

9 (C) THE FULL AMOUNT OF LOCAL GOVERNMENT FUNDS REDEPOSITED BY THE
10 DESIGNATED BANK OR TRUST COMPANY INTO DEPOSIT ACCOUNTS IN BANKING INSTI-
11 TUTIONS PURSUANT TO THIS SUBPARAGRAPH (PLUS ACCRUED INTEREST, IF ANY)
12 SHALL BE INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION.

13 (D) AT THE SAME TIME THAT THE MONEY OF THE LOCAL GOVERNMENT IS REDE-
14 POSITED PURSUANT TO THIS SUBPARAGRAPH, THE SELECTED DEPOSITORY RECEIVES
15 AN AMOUNT OF DEPOSITS FROM CUSTOMERS OF OTHER FINANCIAL INSTITUTIONS
16 PURSUANT TO THE DEPOSIT PLACEMENT PROGRAM THAT ARE AT LEAST EQUAL TO THE
17 AMOUNT OF THE LOCAL GOVERNMENT'S FUNDS REDEPOSITED BY THE DESIGNATED
18 BANK OR TRUST COMPANY.

19 S 2. Subdivision 2 of section 11 of the general municipal law, as
20 amended by chapter 708 of the laws of 1992, is amended to read as
21 follows:

22 2. A. The governing board of any local government or, if the governing
23 board so delegates, the chief fiscal officer or other officer having
24 custody of the moneys may temporarily invest moneys not required for
25 immediate expenditure, except moneys the investment of which is other-
26 wise provided for by law, EITHER: (1) in special time deposit accounts
27 in, or certificates of deposit issued by, a bank or trust company
28 located and authorized to do business in this state[, provided however,
29 that]; OR (2) IN ACCORDANCE WITH ALL OF THE FOLLOWING CONDITIONS:

30 (I) THE MONEYS ARE INVESTED THROUGH A BANK OR TRUST COMPANY LOCATED
31 AND AUTHORIZED TO DO BUSINESS IN THIS STATE;

32 (II) THE BANK OR TRUST COMPANY ARRANGES FOR THE DEPOSIT OF THE MONEYS
33 IN CERTIFICATES OF DEPOSIT IN ONE OR MORE BANKING INSTITUTIONS, AS
34 DEFINED IN SECTION NINE-R OF THE BANKING LAW, FOR THE ACCOUNT OF THE
35 LOCAL GOVERNMENT;

36 (III) THE FULL AMOUNT OF PRINCIPAL AND ACCRUED INTEREST OF EACH SUCH
37 CERTIFICATE OF DEPOSIT MUST BE INSURED BY THE FEDERAL DEPOSIT INSURANCE
38 CORPORATION;

39 (IV) THE BANK OR TRUST COMPANY ACTS AS CUSTODIAN FOR THE LOCAL GOVERN-
40 MENT WITH RESPECT TO SUCH CERTIFICATES OF DEPOSIT ISSUED FOR THE LOCAL
41 GOVERNMENT'S ACCOUNT; AND

42 (V) AT THE SAME TIME THAT THE LOCAL GOVERNMENT'S MONEYS ARE DEPOSITED
43 AND THE CERTIFICATES OF DEPOSIT ARE ISSUED FOR THE ACCOUNT OF THE LOCAL
44 GOVERNMENT, THE BANK OR TRUST COMPANY RECEIVES AN AMOUNT OF DEPOSITS
45 FROM CUSTOMERS OF OTHER FINANCIAL INSTITUTIONS EQUAL TO OR GREATER THAN
46 THE AMOUNT OF THE MONEYS INVESTED BY THE LOCAL GOVERNMENT THROUGH THE
47 BANK OR TRUST COMPANY.

48 B. FOR ANY INVESTMENT MADE PURSUANT TO PARAGRAPH A OF THIS SUBDIVI-
49 SION, such time deposit account or certificate of deposit shall be paya-
50 ble within such time as the proceeds shall be needed to meet expendi-
51 tures for which such moneys were obtained and provided further that such
52 time deposit account or certificate of deposit be secured in the same
53 manner as is provided for securing deposits of public funds by subdivi-
54 sion three of section ten of this article.

55 S 3. Section 106 of the state finance law is amended by adding a new
56 subdivision D to read as follows:

1 D. IN LIEU OF A SECURITY BOND AS PRESCRIBED UNDER SUBDIVISION A OF
2 THIS SECTION OR OTHER SECURITY AS PRESCRIBED UNDER SUBDIVISION B OF THIS
3 SECTION, THE COMPTROLLER MAY AUTHORIZE A DESIGNATED BANK OR TRUST COMPA-
4 NY TO ARRANGE FOR THE REDEPOSIT OF THE MONEYS THROUGH A DEPOSIT PLACE-
5 MENT PROGRAM THAT MEETS ALL OF THE FOLLOWING CONDITIONS:

6 (1) THE DESIGNATED BANK OR TRUST COMPANY ARRANGES FOR THE REDEPOSIT OF
7 THE MONEYS INTO DEPOSIT ACCOUNTS WITH ONE OR MORE BANKING INSTITUTIONS,
8 AS DEFINED IN SECTION NINE-R OF THE BANKING LAW, FOR THE ACCOUNT OF THE
9 STATE, AND SERVES AS CUSTODIAN FOR THE STATE WITH RESPECT TO THE MONEYS
10 REDEPOSITED INTO SUCH DEPOSIT ACCOUNTS.

11 (2) MONEYS HELD BY A DESIGNATED BANK OR TRUST COMPANY PENDING REDEPOS-
12 IT PURSUANT TO PARAGRAPH ONE OF THIS SUBDIVISION THAT ARE IN EXCESS OF
13 THE AMOUNT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION SHALL BE
14 SECURED IN ACCORDANCE WITH SUBDIVISION A OR B OF THIS SECTION.

15 (3) THE FULL AMOUNT OF THE MONEYS REDEPOSITED INTO DEPOSIT ACCOUNTS
16 PURSUANT TO PARAGRAPH ONE OF THIS SUBDIVISION, PLUS ACCRUED INTEREST, IF
17 ANY, SHALL BE INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION.

18 (4) AT THE SAME TIME THAT THE MONEYS ARE REDEPOSITED PURSUANT TO PARA-
19 GRAPH ONE OF THIS SUBDIVISION, THE DESIGNATED BANK OR TRUST COMPANY
20 RECEIVES AN AMOUNT OF DEPOSITS FROM CUSTOMERS OF OTHER FINANCIAL INSTI-
21 TUTIONS PURSUANT TO THE DEPOSIT PLACEMENT PROGRAM THAT ARE AT LEAST
22 EQUAL TO THE AMOUNT OF THE MONEYS REDEPOSITED BY THE DESIGNATED BANK OR
23 TRUST COMPANY.

24 S 4. The public authorities law is amended by adding a new section
25 2927 to read as follows:

26 S 2927. INVESTMENT OF FUNDS BY PUBLIC AUTHORITIES AND PUBLIC BENEFIT
27 CORPORATIONS IN DEPOSITS INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPO-
28 RATION.

29 NOTWITHSTANDING ANY INCONSISTENT PROVISION OF THIS CHAPTER OR ANY
30 OTHER GENERAL, SPECIAL OR LOCAL LAW, EVERY CORPORATION WHETHER OR NOT
31 SUCH CORPORATION IS OTHERWISE GOVERNED BY THIS CHAPTER, MAY TEMPORARILY
32 INVEST MONEYS NOT REQUIRED FOR IMMEDIATE EXPENDITURE IN ACCORDANCE WITH
33 THE FOLLOWING CONDITIONS:

34 1. THE MONEYS ARE INVESTED THROUGH A BANK OR TRUST COMPANY LOCATED AND
35 AUTHORIZED TO DO BUSINESS IN THIS STATE SELECTED BY THE CORPORATION;

36 2. THE SELECTED BANK OR TRUST COMPANY ARRANGES FOR THE REDEPOSIT OF
37 THE MONEYS IN CERTIFICATES OF DEPOSIT AND OTHER DEPOSIT ACCOUNTS IN ONE
38 OR MORE BANKING INSTITUTIONS, AS DEFINED IN SECTION NINE-R OF THE BANK-
39 ING LAW, FOR THE ACCOUNT OF THE CORPORATION;

40 3. THE FULL AMOUNT OF PRINCIPAL AND ACCRUED INTEREST OF EACH SUCH
41 DEPOSIT IS INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION;

42 4. THE SELECTED BANK OR TRUST COMPANY IN THIS STATE ACTS AS CUSTODIAN
43 FOR THE CORPORATION WITH RESPECT TO THE FUNDS REDEPOSITED PURSUANT TO
44 THIS SECTION; AND

45 5. AT THE SAME TIME THAT THE CORPORATION'S MONEYS ARE REDEPOSITED
46 PURSUANT TO THIS SECTION, THE SELECTED BANK OR TRUST COMPANY IN THIS
47 STATE RECEIVES AN AMOUNT OF DEPOSITS FROM CUSTOMERS OF OTHER FINANCIAL
48 INSTITUTIONS EQUAL TO OR GREATER THAN THE AMOUNT OF THE MONEYS INVESTED
49 BY THE CORPORATION THROUGH THE SELECTED BANK OR TRUST COMPANY IN THIS
50 STATE.

51 S 5. This act shall take effect immediately.