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I N A S S E M B L Y

January 10, 2012

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 ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. Paragraph a of subdivision 2 of section 10 of the general municipal law, as amended by chapter 623 of the laws of 1998, is amended to read as follows:

a. (I) The governing board of every local government shall designate one or more banks or trust companies for the deposit of public funds, the disposition of which is not otherwise provided for by law, received by the chief fiscal officer or any other officer authorized by law to make deposits. Such designation shall be by resolution of the governing board or, in the case of a city, such other body as may be authorized or required by law to designate depositaries. Such resolution shall specify the maximum amount which may be kept on deposit at any time in each such bank or trust company. Such designations and amounts may be changed at any time by further resolution.

(II) THE GOVERNING BOARD OF A LOCAL GOVERNMENT THAT HAS DESIGNATED ONE OR MORE BANKS OR TRUST COMPANIES FOR THE DEPOSIT OF PUBLIC FUNDS PURSUANT TO SUBPARAGRAPH (I) OF THIS PARAGRAPH MAY, IN ITS DISCRETION, AUTHORIZE THE DESIGNATED BANK OR TRUST COMPANY TO ARRANGE FOR THE REDEPOSIT OF THE LOCAL GOVERNMENT'S FUNDS IN ONE OR MORE BANKING INSTITUTIONS, AS DEFINED IN SECTION NINE-R OF THE BANKING LAW, FOR THE ACCOUNT OF THE LOCAL GOVERNMENT, THROUGH A DEPOSIT PLACEMENT PROGRAM THAT MEETS ALL OF THE FOLLOWING CONDITIONS:

(A) ON OR AFTER THE DATE THAT THE LOCAL GOVERNMENT'S FUNDS ARE RECEIVED, THE DESIGNATED BANK OR TRUST COMPANY (I) ARRANGES FOR THE 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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INSTITUTIONS AND (II) SERVES AS CUSTODIAN FOR THE LOCAL GOVERNMENT WITH RESPECT TO THE FUNDS REDEPOSITED INTO SUCH ACCOUNTS.

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

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

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

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

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

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

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

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

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

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

B. FOR ANY INVESTMENT MADE PURSUANT TO PARAGRAPH A OF THIS SUBDIVISION, such time deposit account or certificate of deposit shall be payable within such time as the proceeds shall be needed to meet expenditures for which such moneys were obtained and provided further that such time deposit account or certificate of deposit be secured in the same manner as is provided for securing deposits of public funds by subdivision three of section ten of this article.

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

D. IN LIEU OF A SECURITY BOND AS PRESCRIBED UNDER SUBDIVISION A OF THIS SECTION OR OTHER SECURITY AS PRESCRIBED UNDER SUBDIVISION B OF THIS SECTION, THE COMPTROLLER MAY AUTHORIZE A DESIGNATED BANK OR TRUST COMPANY TO ARRANGE FOR THE REDEPOSIT OF THE MONEYS THROUGH A DEPOSIT PLACEMENT PROGRAM THAT MEETS ALL OF THE FOLLOWING CONDITIONS:

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

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

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

(4) AT THE SAME TIME THAT THE MONEYS ARE REDEPOSITED PURSUANT TO PARAGRAPH ONE OF THIS SUBDIVISION, THE DESIGNATED BANK OR TRUST COMPANY RECEIVES AN AMOUNT OF DEPOSITS FROM CUSTOMERS OF OTHER FINANCIAL INSTITUTIONS PURSUANT TO THE DEPOSIT PLACEMENT PROGRAM THAT ARE AT LEAST EQUAL TO THE AMOUNT OF THE MONEYS REDEPOSITED BY THE DESIGNATED BANK OR TRUST COMPANY.

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

S 2927. INVESTMENT OF FUNDS BY PUBLIC AUTHORITIES AND PUBLIC BENEFIT CORPORATIONS IN DEPOSITS INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION.

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

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

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

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

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

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

S 5. This act shall take effect immediately.