

# STATE OF NEW YORK

4991

2021-2022 Regular Sessions

## IN SENATE

February 22, 2021

Introduced by Sen. PARKER -- read twice and ordered printed, and when printed to be committed to the Committee on Local Government

AN ACT to amend the general municipal law and the banking law, in relation to the establishment of a savings bank, savings and loan association or credit union municipal deposit program, and limiting deposits of public funds in such institutions to two hundred fifty thousand dollars

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

1 Section 1. Paragraph c of subdivision 1 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 c. "Public deposits" shall mean deposits of public funds in a bank,  
5 savings bank, savings and loan association, credit union, or trust  
6 company which are available for all uses generally permitted by the  
7 bank, savings bank, savings and loan association, credit union, or trust  
8 company to the depositing local government for actually and finally  
9 collected funds under the bank's, savings bank's, savings and loan asso-  
10 ciation's, credit union's, or trust company's account agreement or poli-  
11 cies.

12 § 2. Paragraphs f, g and h of subdivision 1 of section 10 of the  
13 general municipal law are relettered paragraphs g, h and i and three new  
14 paragraphs f, j and k are added to read as follows:

15 f. "Credit union" shall mean a state-chartered credit union as defined  
16 by subdivision nine of section two of the banking law or a federally-  
17 chartered credit union as defined by the federal credit union act,  
18 located and authorized to do business in New York.

19 j. "Savings bank" shall mean a savings bank as defined by subdivision  
20 four of section two of the banking law or any federal savings bank.

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

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1 k. "Savings and loan association" shall mean a savings and loan asso-  
2 ciation as defined by subdivision eight of section two of the banking  
3 law or any federal savings and loan association.

4 § 3. Subdivisions 2 and 4 of section 10 of the general municipal law,  
5 as amended by chapter 623 of the laws of 1998, paragraph a of subdivi-  
6 sion 2 as amended by chapter 128 of the laws of 2012 and paragraph c of  
7 subdivision 2 and paragraph (e) of subdivision 4 as further amended by  
8 section 104 of part A of chapter 62 of the laws of 2011, are amended to  
9 read as follows:

10 2. a. (i) The governing board of every local government shall desig-  
11 nate one or more banks, savings banks, savings and loan associations,  
12 credit unions or trust companies for the deposit of public funds, the  
13 disposition of which is not otherwise provided for by law, received by  
14 the chief fiscal officer or any other officer authorized by law to make  
15 deposits. Such designation shall be by resolution of the governing board  
16 or, in the case of a city, such other body as may be authorized or  
17 required by law to designate depositories. Such resolution shall specify  
18 the maximum amount which may be kept on deposit at any time in each such  
19 bank, savings bank, savings and loan association, credit union or trust  
20 company. Such designations and amounts may be changed at any time by  
21 further resolution.

22 (ii) The governing board of a local government that has designated one  
23 or more banks or trust companies for the deposit of public funds pursu-  
24 ant to subparagraph (i) of this paragraph may, in its discretion,  
25 authorize the designated bank or trust company to arrange for the rede-  
26 posit of the local government's funds in one or more banking insti-  
27 tutions, as defined in section nine-r of the banking law, for the  
28 account of the local government, through a deposit placement program  
29 that meets all of the following conditions:

30 (A) On or after the date that the local government's funds are  
31 received, the designated bank or trust company (I) arranges for the  
32 redeposit of such funds into deposit accounts in one or more banking  
33 institutions and (II) serves as custodian for the local government with  
34 respect to the funds redeposited into such accounts.

35 (B) Local government funds deposited in a designated bank or trust  
36 company in accordance with this subparagraph and held in the designated  
37 bank or trust company in excess of the amount insured by the federal  
38 deposit insurance corporation pending redeposit of the funds pursuant to  
39 this subparagraph shall be secured in accordance with subdivision three  
40 of this section.

41 (C) The full amount of local government funds redeposited by the  
42 designated bank or trust company into deposit accounts in banking insti-  
43 tutions pursuant to this subparagraph (plus accrued interest, if any)  
44 shall be insured by the federal deposit insurance corporation.

45 (D) At the same time that the money of the local government is rede-  
46 posited pursuant to this subparagraph, the selected depository receives  
47 an amount of deposits from customers of other financial institutions  
48 pursuant to the deposit placement program that are at least equal to the  
49 amount of the local government's funds redeposited by the designated  
50 bank or trust company. The governing board of every local government  
51 shall forward a copy of such resolution to the office of the state comp-  
52 troller who shall retain such copy until such resolution is amended or  
53 dissolved. A copy of such resolution shall be retained by the state  
54 comptroller for record keeping purposes only.

55 b. Public funds deposited into a savings bank, federal savings bank,  
56 credit union, federal credit union, savings and loan association or

1 federal savings and loan association shall be limited to two hundred  
2 fifty thousand dollars.

3 c. Except as otherwise provided by law, all deposits shall be made to  
4 the credit of the local government. The deposit of public funds pursu-  
5 ant to this subdivision shall release the officer making the deposit and  
6 his or her surety from any liability for loss of such public funds by  
7 reason of the default or insolvency of any such bank, savings bank,  
8 savings and loan association, credit union or trust company.

9 ~~[c.]~~ d. The governing board of a local government, in which a banking  
10 development district has been designated by the superintendent of finan-  
11 cial services pursuant to section ninety-six-d of the banking law, may  
12 designate a bank, trust company or national bank located in such  
13 district for the deposit of public funds, the disposition of which is  
14 not otherwise provided for by law, received by the chief fiscal officer  
15 or other officer authorized by law to make such deposits. Such desig-  
16 nation shall be by resolution of the governing board or, in the case of  
17 a city, such other body as may be authorized or required by law to  
18 designate depositories. Such resolution shall specify the maximum amount  
19 which may be kept on deposit at any time with such bank, trust company  
20 or national bank located in such district. Subject to an agreement  
21 between such governing board and such banking institution, public funds  
22 deposited in such banking institution may earn a fixed interest rate  
23 which is at or below such banking institution's posted two year certif-  
24 icate of deposit rate. In those instances where there is such an agree-  
25 ment, its terms and conditions shall also be specified in the resol-  
26 ution. Any such designation, amount, or agreement provisions may be  
27 changed at any time by further resolution.

28 4. (a) Notwithstanding any other provision of law to the contrary, the  
29 chief fiscal officer, or other officer authorized by law to make depos-  
30 its, may, subject to the approval of the governing body of a local  
31 government, by resolution, enter into a contract with a courier service  
32 for the purpose of causing the deposit of public funds with a bank,  
33 savings bank, savings and loan association, credit union or trust compa-  
34 ny as provided in this section.

35 (b) The entrusting of public funds for deposit pursuant to paragraph  
36 (a) of this subdivision shall release the officer entrusting the public  
37 funds to the courier service and his or her surety from any liability  
38 for loss of such public funds by the courier service in the process of  
39 delivering such public funds to the designated bank, savings bank,  
40 savings and loan association, credit union or trust company.

41 (c) The local government authorizing the deposit of public funds by a  
42 courier service pursuant to paragraph (a) of this subdivision shall  
43 require the courier service to obtain a surety bond for the full amount  
44 entrusted to the courier, payable to the local government and executed  
45 by an insurance company authorized to do business in this state, the  
46 claims paying ability of which is rated in the highest rating category  
47 by at least two nationally recognized statistical rating organizations,  
48 to insure against any loss of public funds entrusted to the courier  
49 service for deposit or failure to deposit the full amount entrusted to  
50 the courier.

51 (d) A deposit made by a courier on behalf of a local government shall  
52 be deemed to be a deposit made by the chief fiscal officer or other  
53 officer entrusting such funds for purposes of the requirements contained  
54 in this section for securing public deposits.

55 (e) A bank, savings bank, savings and loan association, credit union  
56 or trust company may, from time to time and as agreed upon with a local

1 government, reimburse all or part of, but not more than, the actual cost  
2 incurred by the local government in transporting cash, negotiable  
3 instruments or other items for deposit through a courier service. Any  
4 such reimbursement agreement shall apply only to a specified deposit  
5 transaction, and may be subject to such terms, conditions and limita-  
6 tions as the bank, savings bank, savings and loan association, credit  
7 union or trust company deems necessary to ensure sound banking prac-  
8 tices, including, but not limited to, any terms, conditions or limita-  
9 tions that may be required by the department of financial services or  
10 other federal or state authority.

11 § 4. Subdivision 2 of section 11 of the general municipal law, as  
12 amended by chapter 128 of the laws of 2012, is amended to read as  
13 follows:

14 2. a. The governing board of any local government or, if the governing  
15 board so delegates, the chief fiscal officer or other officer having  
16 custody of the moneys may temporarily invest moneys not required for  
17 immediate expenditure, except moneys the investment of which is other-  
18 wise provided for by law, either: (1) in special time interest-bearing  
19 deposit accounts in, or certificates of deposit issued by, a bank,  
20 savings bank, savings and loan association, or share certificates issued  
21 by a credit union or trust company located and authorized to do business  
22 in this state; or (2) in accordance with all of the following condi-  
23 tions:

24 (i) the moneys are invested through a bank or trust company located  
25 and authorized to do business in this state;

26 (ii) the bank or trust company arranges for the deposit of the moneys  
27 in certificates of deposit or share certificates in one or more banking  
28 institutions, as defined in section nine-r of the banking law, for the  
29 account of the local government;

30 (iii) the full amount of principal and accrued interest of each such  
31 certificate of deposit or share certificate must be insured by the  
32 federal deposit insurance corporation;

33 (iv) the bank or trust company acts as custodian for the local govern-  
34 ment with respect to such certificates of deposit issued for the local  
35 government's account; and

36 (v) at the same time that the local government's moneys are deposited  
37 and the certificates of deposit or share certificates are issued for the  
38 account of the local government, the bank or trust company receives an  
39 amount of deposits from customers of other financial institutions equal  
40 to or greater than the amount of the moneys invested by the local  
41 government through the bank or trust company.

42 b. For any investment made pursuant to paragraph a of this subdivi-  
43 sion, such time deposit account or certificate of deposit or share  
44 certificates shall be payable within such time as the proceeds shall be  
45 needed to meet expenditures for which such moneys were obtained and  
46 provided further that such time deposit account or certificate of depos-  
47 it or share certificates be secured in the same manner as is provided  
48 for securing deposits of public funds by subdivision three of section  
49 ten of this article.

50 § 5. The banking law is amended by adding a new section 454-a to read  
51 as follows:

52 § 454-a. Deposits of public money with credit unions; security. A  
53 credit union may accept deposits of public money subject to the limita-  
54 tions provided in section ten of the general municipal law. Such credit  
55 union shall pledge assets or furnish other security satisfactory in form  
56 and amount to the depositor, for the repayment of monies held in the

1 name of such depositor, when required to be secured by applicable law,  
2 decree or regulation.  
3 § 6. This act shall take effect on the ninetieth day after it shall  
4 have become a law.