

18A:20-37

LEGISLATIVE HISTORY CHECKLIST
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(Local government &
school investments)

NJSA: 18A:20-37

LAWS OF: 1991 CHAPTER: 458

BILL NO: S3468

SPONSOR(S): Foy

DATE INTRODUCED: May 13, 1991

COMMITTEE: ASSEMBLY: Appropriations

SENATE: Labor, Industry & Professions

AMENDED DURING PASSAGE: Yes Amendments during passage denoted by asterisks

DATE OF PASSAGE: ASSEMBLY: January 10, 1992

SENATE: July 15, 1991

DATE OF APPROVAL: January 18, 1992

FOLLOWING STATEMENTS ARE ATTACHED IF AVAILABLE:

SPONSOR STATEMENT: Yes

COMMITTEE STATEMENT: ASSEMBLY: Yes

SENATE: Yes

FISCAL NOTE: No

VETO MESSAGE: No

MESSAGE ON SIGNING: No

FOLLOWING WERE PRINTED:

REPORTS: No

HEARINGS: No

KBG/pp

[SECOND REPRINT]

SENATE, No. 3468

STATE OF NEW JERSEY

INTRODUCED MAY 13, 1991

By Senator FOY

1 AN ACT concerning the investment powers of local units and
2 boards of education and amending P.L.1977, c.177 and
3 P.L.1977, c.396.

4

5 BE IT ENACTED *by the Senate and General Assembly of the*
6 *State of New Jersey:*

7 1. Section 1 of P.L.1977, c.177 (C.18A:20-37) is amended to
8 read as follows:

9 1. When authorized by resolution adopted by a majority vote of
10 all its members the board of education of any school district may
11 use moneys, which may be in hand, for the purchase of the
12 following types of securities which, if suitable for registry, may
13 be registered in the name of the school district:

14 a. Bonds or other obligations of the United States of America
15 or obligations guaranteed by the United States of America,
16 including securities of, or other ¹[interest] interests¹ in, any
17 open-end or closed-end management ¹type¹ investment company
18 or investment trust registered under the "Investment Company
19 Act of 1940," 54 Stat. 847 (15 U.S.C. §80a-1 et seq.), ²purchased
20 and redeemed only through the use of National or State banks
21 located within this State,² if the portfolio of that investment
22 company or investment trust is limited to bonds or ¹other¹
23 obligations of the United States of America, ¹bonds or other¹
24 obligations guaranteed by the United States of America and
25 repurchase agreements fully collateralized by bonds or ¹other¹
26 obligations of United States of America or ¹bonds or other¹
27 obligations guaranteed by the United States of America, which
28 collateral shall be delivered to or held by the investment
29 company or investment trust, either directly or through an
30 authorized custodian;

31 b. Bonds of any Federal Intermediate Credit Bank, Federal
32 Home Loan Bank, Federal Land Bank, Federal National Mortgage
33 Associates or of any United States Bank for Cooperatives which
34 have a maturity date not greater than 12 months from the date of
35 purchase [,]; or

36 c. Bonds or other obligations of the school district.

37 (cf: P.L.1977, c.177, s.1)

38 2. Section 8 of P.L.1977, c.396 (C.40A:5-15.1) is amended to

EXPLANATION--Matter enclosed in bold-faced brackets [thus] in the
above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

¹ Senate SLI committee amendments adopted June 24, 1991.

² Assembly AAP committee amendments adopted January 8, 1992.

1 read:

2 8. Securities which may be purchased by local units. When
3 authorized by resolution adopted by a majority vote of all its
4 members, the governing body of any local unit may use moneys
5 which may be in hand for the purchase of the following types of
6 securities which, if suitable for registry, may be registered in the
7 name of the local unit:

8 a. Bonds or other obligations of the United States of America
9 or obligations guaranteed by the United States of America,
10 including securities of, or other ¹[interest] interests¹ in, any
11 open-end or closed-end management ¹type¹ investment company
12 or investment trust registered under the "Investment Company
13 Act of 1940," 54 Stat. 847 (15 U.S.C. §80a-1 et seq.), ²purchased
14 and redeemed only through the use of National or State banks
15 located within this State,² if the portfolio of that investment
16 company or investment trust is limited to bonds or ¹other¹
17 obligations of the United States of America, ¹bonds or other¹
18 obligations guaranteed by the United States of America and
19 repurchase agreements fully collateralized by bonds or ¹other¹
20 obligations of United States of America or ¹bonds or other¹
21 obligations guaranteed by the United States of America, which
22 collateral shall be delivered to or held by the investment
23 company or investment trust, either directly or through an
24 authorized custodian;

25 b. Bonds of any Federal Intermediate Credit Bank, Federal
26 Home Loan Bank, Federal Land Bank, Federal National Mortgage
27 Associates or of any United States Bank for Cooperatives which
28 have a maturity date not greater than 12 months from the date of
29 purchase; [or]

30 c. Bonds or other obligations of the local unit or bonds or other
31 obligations of school districts of which the local unit is a part or
32 within which the school district is located; or

33 d. Bonds or other obligations, having a maturity date not more
34 than 12 months from the date of purchase, approved by the
35 Division of Investment of the Department of Treasury for
36 investment by local units.

37 (cf: P.L.1977, c.396, s.8)

38 3. This act shall take effect immediately.

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BANKING AND FINANCE

42

43

Permits local units and school boards to invest in mutual funds
44 holding only obligations of the United States.

1 securities which, if suitable for registry, may be registered in the
2 name of the local unit:

3 a. Bonds or other obligations of the United States of America
4 or obligations guaranteed by the United States of America,
5 including securities of, or other interest in, any open-end or
6 closed-end management investment company or investment trust
7 registered under the "Investment Company Act of 1940," 54 Stat.
8 847 (15 U.S.C. §80a-1 et seq.), if the portfolio of that investment
9 company or investment trust is limited to bonds or obligations of
10 the United States of America, obligations guaranteed by the
11 United States of America and repurchase agreements fully
12 collateralized by bonds or obligations of United States of
13 America or obligations guaranteed by the United States of
14 America, which collateral shall be delivered to or held by the
15 investment company or investment trust, either directly or
16 through an authorized custodian;

17 b. Bonds of any Federal Intermediate Credit Bank, Federal
18 Home Loan Bank, Federal Land Bank, Federal National Mortgage
19 Associates or of any United States Bank for Cooperatives which
20 have a maturity date not greater than 12 months from the date of
21 purchase; [or]

22 c. Bonds or other obligations of the local unit or bonds or other
23 obligations of school districts of which the local unit is a part or
24 within which the school district is located; or

25 d. Bonds or other obligations, having a maturity date not more
26 than 12 months from the date of purchase, approved by the
27 Division of Investment of the Department of Treasury for
28 investment by local units.

29 (cf: P.L.1977, c.396, s.8)

30 3. This act shall take effect immediately.

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STATEMENT

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35 This bill authorizes local governing bodies and boards of
36 education to invest in mutual funds which limit their portfolios to
37 United States government obligations. This bill will thereby
38 provide a safe investment alternative for these entities with
39 added flexibility and liquidity. The provisions of this bill will
40 permit a type of investment which is currently permitted for
41 qualified banks acting in a fiduciary capacity.

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BANKING AND FINANCE

45

46 Permits local units and school boards to invest in mutual funds
47 holding only obligations of the United States.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

[FIRST REPRINT]

SENATE, No. 3468

with Assembly committee amendments

STATE OF NEW JERSEY

DATED: JANUARY 8, 1992

The Assembly Appropriations Committee reports favorably Senate Bill No. 3468 (1R) with Assembly committee amendments.

Senate Bill No. 3468 (1R), as amended, authorizes municipal and county governing bodies and boards of education to invest in interests in mutual funds which limit their portfolios to United States government obligations, obligations guaranteed by the United States government and repurchase agreements fully collateralized by such obligations, which collateral must be delivered to or held by the mutual fund either directly or through an authorized custodian. The purchase and redemption of those mutual fund interests must be limited to the use of banks located within this State. The bill will provide an investment for these local government entities that is equally safe as those currently permitted but has greater flexibility and liquidity.

COMMITTEE AMENDMENTS:

The committee amendments add the requirement that the purchase and redemption of the mutual fund interests must be through the use of banks located within this State.

FISCAL IMPACT:

This bill was not certified as needing a fiscal note.

SENATE LABOR, INDUSTRY AND PROFESSIONS COMMITTEE

STATEMENT TO

SENATE, No. 3468

with committee amendments

STATE OF NEW JERSEY

DATED: JUNE 24, 1991

The Senate Labor, Industry and Professions Committee reports favorably and with committee amendments Senate Bill No. 3468.

This bill, as amended by the committee, authorizes municipal and county governing bodies and boards of education to invest in mutual funds which limit their portfolios to United States government obligations, obligations guaranteed by the United States government and repurchase agreements fully collateralized by such obligations or guaranteed obligations, which collateral must be delivered to or held by the mutual fund either directly or through an authorized custodian.