

18A:17-34 et al

LEGISLATIVE HISTORY CHECKLIST

HJSA 18A:17-34 et al (N.J. Cash Management Fund-Creates)

LAWS OF 1977 CHAPTER 281

Bill No. S3223

Sponsor(s) Dwyer and Merlino

Date Introduced April 21, 1977

Committee: Assembly State Gov't, Federal, Interstate Relations & Veterans Affairs)
Senate Revenue, Finance & Appropriations

Amended during passage Yes ~~xxx~~ Amendments during passage denoted by asterisk

Date of Passage: Assembly June 20, 1977

Senate May 2, 1977

Date of approval November 2, 1977

Following statements are attached if available:

Sponsor statement	Yes	xxx
Committee Statement: Assembly	xxx	No
Senate	Yes	xxx
Fiscal Note	xxx	No
Veto Message	xxx	No
Message on signing	Yes	xxx

Following were printed:

Reports	xxx	No
Hearings	xxx	No

Cited in Sponsor's Statement
974.90 N.J. Grand Jury
F491 Presentment in
1975J re inquiry of the 24th Grand Jury
October 30, 1975.

974.90 N.J. Division of Investment
R424 Management review.
1977J Mentions law on p.5-6
2/1/78

CHAPTER 281 LAWS OF N. J. 1977
APPROVED 11-2-77

[OFFICIAL COPY REPRINT]

SENATE, No. 3223

STATE OF NEW JERSEY

INTRODUCED APRIL 21, 1977

By Senators DWYER and MERLINO

Referred to Committee on Revenue, Finance and Appropriations

AN ACT creating the State of New Jersey Cash Management Fund, amending P. L. 1970, c. 270, P. L. 1956, c. 174, P. L. 1970, c. 236, N. J. S. 40A:5-14, N. J. S. 18A:17-34, R. S. 40:23-9 and R. S. 40:48-10 and supplementing Title 52 of the Revised Statutes.

1 BE IT ENACTED *by the Senate and General Assembly of the State*
2 *of New Jersey:*

1 1. (New section) Notwithstanding the provisions of ***[sections 1**
2 **and]*** **section** 2 of P. L. 1970, c. 270 (***[C. 52:18A-90.1 and]***
3 52:18A-90.2), the Director of the Division of Investment may,
4 subject to the approval of the State Investment Council and the
5 State Treasurer, establish, maintain and operate a common trust
6 fund to be known as the State of New Jersey Cash Management
7 Fund in which may be deposited the surplus public moneys of the
8 State, its counties, municipalities and school districts and the agen-
9 cies or authorities created by any of these entities. This fund shall
10 be considered a legal depository for public moneys and shall satisfy
11 the requirements in that regard of section 1 of P. L. 1956, c. 174
12 ***[(C. 52:18-16-1)]*** *(*C. 52:18-16.1*)* and N. J. S. 40A:5-14.

13 The State Treasurer shall be the custodian of the fund and may
14 receive public moneys paid into the fund by any other custodian
15 of public moneys for the purpose of holding and investing said
16 moneys. In that capacity, he may enter into an agreement with
17 a bank or trust company having its place of business within the
18 State and organized under the laws of the United States or of
19 this State, as he may select, for the custodianship of securities
20 held in the fund and for recording the amounts deposited and
21 withdrawn by each participant, the investment transactions entered
22 into, and the balance to each participant's credit each day. The
23 Treasurer may promulgate such rules and regulations pursuant
24 to the Administrative Procedure Act, P. L. 1968, c. 410
25 (C. 52:14B-1 et seq.), as he deems necessary for the efficient

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

26 administration of the State of New Jersey Cash Management
 27 Fund, including but not limited to, (1) the specification of minimum
 28 amounts which may be deposited in the fund and minimum periods
 29 of time for which deposits shall be retained in the fund; (2) crea-
 30 tion of a reserve for losses; (3) provision for payment of adminis-
 31 tration expenses from its earnings; and (4) distribution of the
 32 earnings in excess of such expenses or allocation of losses to the
 33 several participants in a manner which equitably reflects the
 34 differing amounts of their respective investments and the differing
 35 periods of time for which such amounts were in the custody of
 36 the fund.

37 The Director of the Division of Investment may invest the public
 38 moneys constituting the State of New Jersey Cash Management
 39 Fund in the same types of investments and subject to the same
 40 limitations provided for the investment of funds in the State
 41 Treasury. The director shall be responsible for the adequacy of
 42 the accounting services provided by the custodian bank and shall
 43 maintain such accounting records as may be required for that
 44 purpose.

1 2. Section 1 of P. L. 1970, c. 270 (C. 52:18A-90.1) is amended to
 2 read as follows:

3 1. Notwithstanding any statute or rule of law to the contrary,
 4 the Director of the Division of Investment may, subject to the
 5 approval of the State Investment Council and the State Treasurer,
 6 establish, maintain and operate one or more common trust funds,
 7 in which may be combined for the purpose of investment, money
 8 and property belonging to the various funds in the custody of the
 9 State Treasurer; provided, however, that there shall not be com-
 10 bined in any common trust fund, *excepting the State of New Jersey*
 11 *Cash Management Fund established pursuant to section 1 of this*
 12 *amendatory and supplementary act*, moneys and property of any
 13 fund the income of which inures to the benefit of the General State
 14 Fund and money and property of any fund the income of which
 15 inures to the benefit of said fund.

1 3. Section 1 of P. L. 1956, c. 174 (C. 52:18-16.1 is amended to
 2 read as follows:

3 1. The State Treasurer shall, except as otherwise provided,
 4 deposit to his credit as treasurer all public moneys coming into
 5 his hands, within 3 days after receiving the same, in such of the
 6 national banks located in this State, ***[and]*** **in** institutions au-
 7 thorized by this State to carry on a banking business, ***[or]*** **and*
 8 *in* the State of New Jersey Cash Management Fund established*

9 *pursuant to section 1 of this amendatory and supplementary act as*
10 he may select, that will allow interest on all balances. All interest so
11 earned shall be credited to the State. When in the judgment of the
12 State Treasurer it is not compatible with the working capital re-
13 quirements of the State or with public safety to deposit public
14 moneys or portion thereof, upon interest bearing terms, as hereto-
15 fore provided in this section, the State Treasurer may deposit the
16 same without interest or open time accounts with interest subject to
17 withdrawal upon notice, conforming with Federal laws and regula-
18 tions governing the same, in such of the national banks located
19 in this State and institutions authorized by this State to carry on
20 a banking business as he may select, until such a condition has,
21 in his judgment, ceased to exist.

22 In all cases where a deposit is made *in a national bank located*
23 *in this State or institution authorized by this State to carry on a*
24 *banking business*, pursuant to this section, the State Treasurer
25 shall require from any such institution a deposit of bonds, notes,
26 certificates of indebtedness or bills or other obligations of or
27 guaranteed by the United States; or bonds or other obligations
28 of or guaranteed by the State of New Jersey; or any other obliga-
29 tions now or hereafter authorized by law as security for public
30 deposits; designed to secure any deposit made pursuant to this
31 section; provided, that such requirement shall be deemed to be
32 met if the Federal Reserve Bank of New York or the Federal
33 Reserve Bank of Philadelphia or any other banking institution
34 with total assets in excess of \$300,000,000.00 located within the
35 Second or Third Federal Reserve Districts and approved for such
36 purpose by the State Treasurer certifies to the State Treasurer
37 that, pursuant to authority given by the depository, it holds obliga-
38 tions, owned by the depository, of the kind and in the amount
39 required by the State Treasurer to secure any such deposit. No
40 bank shall be permitted to hold securities of the kind hereinbefore
41 described, as security for public moneys on deposit in the same
42 bank.

1 4. N. J. S. 40A:5-14 is amended to read as follows:

2 40A:5-14. The governing body shall, by resolution passed by a
3 majority vote of the full membership thereof, designate as a
4 depository for its moneys a bank or trust company having its
5 place of business in this State and organized under the laws of the
6 United States or of this State *or the State of New Jersey Cash*
7 *Management Fund established pursuant to section 1 of this amenda-*
8 *tory and supplementary act*, or any combination thereof*.*

9 The official charged with the custody of such moneys shall deposit
10 them in the depository or depositories designated by the governing
11 body and shall thereafter be relieved of any liability or loss of
12 such moneys due to the insolvency or closing of the depository or
13 depositories.

1 5. Section 1 of P. L. 1970, c. 236 (C. 17:9-41) is amended to
2 read as follows:

3 1. In this act, unless the context otherwise requires:

4 "Association" means any State or Federally chartered savings
5 and loan association;

6 "Capital funds" means (a) in the case of a State bank or national
7 bank the aggregate of the capital stock, surplus and undivided
8 profits of the bank; (b) in the case of a savings bank the aggregate
9 of the capital deposits, if any, and the surplus of the savings bank;
10 and (c) in the case of an association, the aggregate of all reserves
11 required by any law or regulations, and the undivided profits, if
12 any, of the association;

13 "Commissioner" means the Commissioner of Banking;

14 "Defaulting depository" means a public depository as to which
15 an event of default has occurred;

16 "Eligible collateral" means obligations of or guaranteed by the
17 United States, obligations of or guaranteed by the State of New
18 Jersey, obligations of governmental units, including, but not limited
19 to, capital notes, bond anticipation notes, tax anticipation notes and
20 temporary notes or loan bonds, (mortgages insured or guaranteed
21 by the United States of America or an instrumentality thereof as to
22 payment of principal and interest to the extent of such insurance
23 or guarantee), and any other obligations now or hereafter autho-
24 rized by law as security for public deposits;

25 "Event of default" means issuance of an order of a supervisory
26 authority or of a receiver restraining a public depository from
27 making payments of deposit liabilities;

28 "Governmental unit" means any county, municipality, school
29 district or any public body corporate and politic created or estab-
30 lished under any law of this State by or on behalf of any one or
31 more counties or municipalities, or any board, commission, depart-
32 ment or agency of any of the foregoing having custody of funds;

33 "Maximum liability" of a public depository means, with respect
34 to any event of default, a sum equal to 5% of the average daily
35 balance of collected public funds held on deposit by the depository
36 during the 6-month period ending on the last day of the month next
37 preceding the occurrence of such event of default;

38 "Net deposit liability" means the deposit liability of a defaulting
39 depository to a governmental unit after deduction of any deposit
40 insurance with respect thereto;

41 "Public depository" means a state bank, a national bank, a
42 savings bank or an association located in this State, the deposits of
43 which are insured by the Federal Deposit Insurance Corporation
44 or the Federal Savings and Loan Insurance Corporation, as the case
45 may be, and which receives or holds public funds on deposit;

46 "Public funds" means the fund of any governmental unit, *but*
47 *does not include deposits held by the State of New Jersey Cash*
48 *Management Fund*;

49 "Valuation date" means December 31 and June 30.

1 6. R. S. 40:23-9 is amended to read as follows:

2 40:23-9. The ***[board of chosen freeholders]*** **governing body**
3 of any county may direct by resolution that all moneys belonging
4 to the county, except such as may be subject to the control of a
5 body or commission other than the board of chosen freeholders,
6 ***[shall]*** **may** be deposited in depositories selected by it, *which*
7 *shall include the State of New Jersey Cash Management Fund,*
8 *created pursuant to section 1 of this amendatory and supplementary*
9 *act, to the credit and in the name of the ***[board]*** **governing**
10 *body**.

1 7. R. S. 40:48-10 is amended to read as follows:

2 40:48-10. All money paid to treasurer; deposited. All money
3 received from any source by or on behalf of any municipality, or
4 by any board or department thereof, shall be paid to the treasurer
5 or other office recharged with the custody of the general funds of
6 the municipality, who shall deposit all such receipts within 48 hours
7 after the receipt thereof to the credit of the municipality in any
8 bank or trust company of the State, ***[or]*** any national bank doing
9 business in the State, ***[which shall include]*** **or** the State of
10 *New Jersey Cash Management Fund created pursuant to section 1*
11 *of this amendatory and supplementary act, to the credit and in*
12 *the name of the board.*

1 8. N. J. S. 18A:17-34 is amended to read as follows:

2 18A:17-34. The custodian shall receive and hold in trust all
3 school moneys belonging to the district from whatever source
4 derived free of any control by the governing body of any munici-
5 pality comprised in said district, except such moneys as are de-
6 rived from athletic events or other activities of pupil organizations
7 of the district, and he shall, when required by resolution of the
8 board, deposit the same or such part thereof as may be designated

9 in any bank or banking institution of this State designated by
10 it as a depository of school moneys, which ~~*[shall]*~~ *may* include
11 *the State of New Jersey Cash Management Fund, created pursuant*
12 *to section 1 of this amendatory and supplementary act*, and there-
13 after school moneys shall be deposited only in the depository or
14 any of the depositories so named and the custodian shall, upon
15 depositing the same therein, be relieved from liability for any loss
16 thereof which may be caused by reason of such deposit.

1 9. This act shall take effect immediately.

SENATE, No. 3223

STATE OF NEW JERSEY

INTRODUCED APRIL 21, 1977

By Senators DWYER and MERLINO

Referred to Committee on Revenue, Finance and Appropriations

AN ACT creating the State of New Jersey Cash Management Fund, amending P. L. 1970, c. 270, P. L. 1956, c. 174, P. L. 1970, c. 236, N. J. S. 40A:5-14, N. J. S. 18A:17-34, R. S. 40:23-9 and R. S. 40:48-10 and supplementing Title 52 of the Revised Statutes.

1 BE IT ENACTED *by the Senate and General Assembly of the State*
2 *of New Jersey:*

1 1. (New section) Notwithstanding the provisions of sections 1
2 and 2 of P. L. 1970, c. 270 (C. 52:18A-90.1 and 52:18A-90.2), the
3 Director of the Division of Investment may, subject to the approval
4 of the State Investment Council and the State Treasurer, establish,
5 maintain and operate a common trust fund to be known as the
6 State of New Jersey Cash Management Fund in which may be
7 deposited the surplus public moneys of the State, its counties,
8 municipalities and school districts and the agencies or authorities
9 created by any of these entities. This fund shall be considered a
10 legal depository for public moneys and shall satisfy the require-
11 ments in that regard of section 1 of P. L. 1956, c. 174 (C. 52:18-16-1)
12 and N. J. S. 40A:5-14.

13 The State Treasurer shall be the custodian of the fund and may
14 receive public moneys paid into the fund by any other custodian
15 of public moneys for the purpose of holding and investing said
16 moneys. In that capacity, he may enter into an agreement with
17 a bank or trust company having its place of business within the
18 State and organized under the laws of the United States or of
19 this State, as he may select, for the custodianship of securities
20 held in the fund and for recording the amounts deposited and
21 withdrawn by each participant, the investment transactions entered
22 into, and the balance to each participant's credit each day. The
23 Treasurer may promulgate such rules and regulations pursuant
24 to the Administrative Procedure Act, P. L. 1968, c. 410
25 (C. 52:14B-1 et seq.), as he deems necessary for the efficient

26 administration of the State of New Jersey Cash Management
27 Fund, including but not limited to, (1) the specification of minimum
28 amounts which may be deposited in the fund and minimum periods
29 of time for which deposits shall be retained in the fund; (2) crea-
30 tion of a reserve for losses; (3) provision for payment of adminis-
31 tration expenses from its earnings; and (4) distribution of the
32 earnings in excess of such expenses or allocation of losses to the
33 several participants in a manner which equitably reflects the
34 differing amounts of their respective investments and the differing
35 periods of time for which such amounts were in the custody of
36 the fund.

37 The Director of the Division of Investment may invest the public
38 moneys constituting the State of New Jersey Cash Management
39 Fund in the same types of investments and subject to the same
40 limitations provided for the investment of funds in the State
41 Treasury. The director shall be responsible for the adequacy of
42 the accounting services provided by the custodian bank and shall
43 maintain such accounting records as may be required for that
44 purpose.

1 2. Section 1 of P. L. 1970, c. 270 (C. 52:18A-90.1) is amended to
2 read as follows:

3 1. Notwithstanding any statute or rule of law to the contrary,
4 the Director of the Division of Investment may, subject to the
5 approval of the State Investment Council and the State Treasurer,
6 establish, maintain and operate one or more common trust funds,
7 in which may be combined for the purpose of investment, money
8 and property belonging to the various funds in the custody of the
9 State Treasurer; provided, however, that there shall not be com-
10 bined in any common trust fund, *excepting the State of New Jersey*
11 *Cash Management Fund established pursuant to section 1 of this*
12 *amendatory and supplementary act*, moneys and property of any
13 fund the income of which inures to the benefit of the General State
14 Fund and money and property of any fund the income of which
15 inures to the benefit of said fund.

1 3. Section 1 of P. L. 1956, c. 174 (C. 52:18-16.1 is amended to
2 read as follows:

3 1. The State Treasurer shall, except as otherwise provided,
4 deposit to his credit as treasurer all public moneys coming into
5 his hands, within 3 days after receiving the same, in such of the
6 national banks located in this State, and institutions authorized
7 by this State to carry on a banking business, *or the State of New*
8 *Jersey Cash Management Fund established pursuant to section 1*

9 *of this amendatory and supplementary act* as he may select, that
10 will allow interest on all balances. All interest so earned shall
11 be credited to the State. When in the judgment of the State
12 Treasurer it is not compatible with the working capital require-
13 ments of the State or with public safety to deposit public moneys
14 or portion thereof, upon interest bearing terms, as heretofore
15 provided in this section, the State Treasurer may deposit the same
16 without interest or open time accounts with interest subject to
17 withdrawal upon notice, conforming with Federal laws and regula-
18 tions governing the same, in such of the national banks located
19 in this State and institutions authorized by this State to carry on
20 a banking business as he may select, until such a condition has,
21 in his judgment, ceased to exist.

22 In all cases where a deposit is made *in a national bank located*
23 *in this State or institution authorized by this State to carry on a*
24 *banking business*, pursuant to this section, the State Treasurer
25 shall require from any such institution a deposit of bonds, notes,
26 certificates of indebtedness or bills or other obligations of or
27 guaranteed by the United States; or bonds or other obligations
28 of or guaranteed by the State of New Jersey; or any other obliga-
29 tions now or hereafter authorized by law as security for public
30 deposits; designed to secure any deposit made pursuant to this
31 section; provided, that such requirement shall be deemed to be
32 met if the Federal Reserve Bank of New York or the Federal
33 Reserve Bank of Philadelphia or any other banking institution
34 with total assets in excess of \$300,000,000.00 located within the
35 Second or Third Federal Reserve Districts and approved for such
36 purpose by the State Treasurer certifies to the State Treasurer
37 that, pursuant to authority given by the depository, it holds obliga-
38 tions, owned by the depository, of the kind and in the amount
39 required by the State Treasurer to secure any such deposit. No
40 bank shall be permitted to hold securities of the kind hereinbefore
41 described, as security for public moneys on deposit in the same
42 bank.

1 4. N. J. S. 40A :5-14 is amended to read as follows:

2 40A :5-14. The governing body shall, by resolution passed by a
3 majority vote of the full membership thereof, designate as a
4 depository for its moneys a bank or trust company having its
5 place of business in this State and organized under the laws of the
6 United States or of this State *or the State of New Jersey Cash*
7 *Management Fund established pursuant to section 1 of this amenda-*
8 *tory and supplementary act.*

9 The official charged with the custody of such moneys shall deposit
10 them in the depository or depositories designated by the governing
11 body and shall thereafter be relieved of any liability or loss of
12 such moneys due to the insolvency or closing of the depository or
13 depositories.

1 5. Section 1 of P. L. 1970, c. 236 (C. 17:9-41) is amended to
2 read as follows:

3 1. In this act, unless the context otherwise requires:

4 "Association" means any State or Federally chartered savings
5 and loan association;

6 "Capital funds" means (a) in the case of a State bank or national
7 bank the aggregate of the capital stock, surplus and undivided
8 profits of the bank; (b) in the case of a savings bank the aggregate
9 of the capital deposits, if any, and the surplus of the savings bank;
10 and (c) in the case of an association, the aggregate of all reserves
11 required by any law or regulations, and the undivided profits, if
12 any, of the association;

13 "Commissioner" means the Commissioner of Banking;

14 "Defaulting depository" means a public depository as to which
15 an event of default has occurred;

16 "Eligible collateral" means obligations of or guaranteed by the
17 United States, obligations of or guaranteed by the State of New
18 Jersey, obligations of governmental units, including, but not limited
19 to, capital notes, bond anticipation notes, tax anticipation notes and
20 temporary notes or loan bonds, (mortgages insured or guaranteed
21 by the United States of America or an instrumentality thereof as to
22 payment of principal and interest to the extent of such insurance
23 or guarantee), and any other obligations now or hereafter autho-
24 rized by law as security for public deposits;

25 "Event of default" means issuance of an order of a supervisory
26 authority or of a receiver restraining a public depository from
27 making payments of deposit liabilities;

28 "Governmental unit" means any county, municipality, school
29 district or any public body corporate and politic created or estab-
30 lished under any law of this State by or on behalf of any one or
31 more counties or municipalities, or any board, commission, depart-
32 ment or agency of any of the foregoing having custody of funds;

33 "Maximum liability" of a public depository means, with respect
34 to any event of default, a sum equal to 5% of the average daily
35 balance of collected public funds held on deposit by the depository
36 during the 6-month period ending on the last day of the month next
37 preceding the occurrence of such event of default;

38 "Net deposit liability" means the deposit liability of a defaulting
39 depository to a governmental unit after deduction of any deposit
40 insurance with respect thereto;

41 "Public depository" means a state bank, a national bank, a
42 savings bank or an association located in this State, the deposits of
43 which are insured by the Federal Deposit Insurance Corporation
44 or the Federal Savings and Loan Insurance Corporation, as the case
45 may be, and which receives or holds public funds on deposit;

46 "Public funds" means the fund of any governmental unit, *but*
47 *does not include deposits held by the State of New Jersey Cash*
48 *Management Fund*;

49 "Valuation date" means December 31 and June 30.

1 6. R. S. 40:23-9 is amended to read as follows:

2 40:23-9. The board of chosen freeholders of any county may
3 direct by resolution that all moneys belonging to the county, except
4 such as may be subject to the control of a body or commission other
5 than the board of chosen freeholders, shall be deposited in deposi-
6 tories selected by it, *which shall include the State of New Jersey*
7 *Cash Management Fund, created pursuant to section 1 of this*
8 *amendatory and supplementary act*, to the credit and in the name
9 of the board.

1 7. R. S. 40:48-10 is amended to read as follows:

2 40:48-10. All money paid to treasurer; deposited. All money
3 received from any source by or on behalf of any municipality, or
4 by any board or department thereof, shall be paid to the treasurer
5 or other office recharged with the custody of the general funds of
6 the municipality, who shall deposit all such receipts within 48 hours
7 after the receipt thereof to the credit of the municipality in any
8 bank or trust company of the State, or any national bank doing
9 business in the State, *which shall include the State of New Jersey*
10 *Cash Management Fund created pursuant to section 1 of this*
11 *amendatory and supplementary act*, to the credit and in the name
12 of the board.

1 8. N. J. S. 18A:17-34 is amended to read as follows:

2 18A:17-34. The custodian shall receive and hold in trust all
3 school moneys belonging to the district from whatever source
4 derived free of any control by the governing body of any munici-
5 pality comprised in said district, except such moneys as are de-
6 rived from athletic events or other activities of pupil organizations
7 of the district, and he shall, when required by resolution of the
8 board, deposit the same or such part thereof as may be designated
9 in any bank or banking institution of this State designated by
10 it as a depository of school moneys, *which shall include the State*

11 *of New Jersey Cash Management Fund, created pursuant to sec-*
12 *tion 1 of this amendatory and supplementary act, and thereafter*
13 *school moneys shall be deposited only in the depository or any of*
14 *the depositories so named and the custodian shall, upon depositing*
15 *the same therein, be relieved from liability for any loss thereof*
16 *which may be caused by reason of such deposit.*

1 9. This act shall take effect immediately.

STATEMENT

This bill would create the State of New Jersey Cash Management Fund.

The bill will authorize local governments, on a voluntary basis, to invest moneys in a State-supervised Cash Management Fund. The fund will be operated by the State Division of Investment, which will make short-term investments as permitted under State laws governing the use of State funds.

By pooling local funds for greater investment flexibility and return, participating municipalities should realize significantly increased earnings. A 1975 State Grand Jury presentment suggested that millions of dollars of additional income could be obtained by aggressive investment of underused local moneys.

The program will operate as follows:

1. Any local government, by appropriate ordinance and applications, may receive permission of the State Treasurer to use the fund.

2. As a municipality accumulates cash receipts which are not needed for immediate disbursement, it can instruct its bank to wire those amounts to the fund. (A Federal Reserve Wire Transfer will make the money investable by the fund within 2 hours.)

SENATE REVENUE, FINANCE AND
APPROPRIATIONS COMMITTEE

STATEMENT TO
SENATE No. 3223

STATE OF NEW JERSEY

DATED: APRIL 28, 1977

Senate Bill No. 3223 authorizes the creation of an investment fund called the State of New Jersey Cash Management Fund. Under the provisions of the bill, State, county and municipal surplus moneys can be transferred to the Fund thereby creating a pool of money available for purposes of investment.

The State Treasurer is the custodian of the Fund, and the day to day operations are to be administered through the State Division of Investment.

Regulations governing the operation of the fund may be promulgated, and if so, as per the requirements of the Administrative Procedures Act. The rules must then address at least four specific items: minimum deposits and periods of time deposits must be maintained; a reserve against losses; payment of administrative costs; and distribution of earnings or allocation of losses among the participants in the fund.

The act takes effect immediately.

COMMENTS:

The committee amendments to this bill clarify the bill from a technical point of view as well as the intent regarding voluntary participation in the fund by counties and municipalities.

SENATE COMMITTEE AMENDMENTS TO
SENATE, No. 3223

STATE OF NEW JERSEY

ADOPTED APRIL 28, 1977

Amend page 1, section 1, lines 1-2, delete "sections 1 and", insert "section".

Amend page 1, section 1, line 2, delete "C. 52:18A-90.1 and".

Amend page 1, section 1, line 11, delete "(C. 52:18-16-1)", insert "(C. 52:18-16.1)".

Amend page 2, section 3, line 6, delete "and", insert "in".

Amend page 2, section 3, line 7, delete "or", insert "and in".

Amend page 3, section 4, line 8, after "act", insert ", or any combination thereof".

Amend page 5, section 6, line 2, delete "board of chosen freeholders", insert "governing body".

Amend page 5, section 6, line 5, delete "shall", insert "may".

Amend page 5, section 6, line 9, delete "board", insert "governing body".

Amend page 5, section 7, line 8, delete "or".

Amend page 5, section 7, line 9, delete "which shall include", insert "or".

Amend page 5, section 8, line 10, delete "shall", insert "may".

FROM THE OFFICE OF THE GOVERNOR

FOR IMMEDIATE RELEASE

FOR FURTHER INFORMATION

NOVEMBER 2, 1977

CONTACT: JIM STABILE

Governor Brendan Byrne has signed three bills into law, S-3223, S-1551 and A-1910.

S-3223, sponsored by Senator Bernard J. Dwyer (D-Middlesex), permits municipalities, counties and school districts to participate in the State of New Jersey cash management fund. It authorizes local governments, on a voluntary basis, to invest monies in the state-supervised cash management fund, operated by the State Division of Investment. The Division makes short-term investments as permitted under state laws governing the use of state funds. Similar funds have been established successfully in other states.

By pooling funds with the state and other municipalities, participating municipalities should realize significantly increased earnings on investable money.

For example, for June 1977, the Fund had an average daily earnings rate of 5.87 per cent, compared to bank rates of 4.96 to 5.48 per cent on 30-day savings certificates during the same month. Further, municipalities may withdraw at any time even after one day, and receive all interest earned to that date.

Local governments are currently permitted to invest excess funds in U.S. government obligations and cd's. The investment procedures are cumbersome, and because they invest in small quantities, the rates they get on government-secured repurchase agreements are not always favorable.

Local governments cannot legally buy commercial paper. And, since their buying position is so weak, they are effectively denied access to the overnight investment market.

With the enactment of S-3223, the Treasurer will invite all local governments to participate in the fund and will circulate transmittal forms and instruction.

A local government, by appropriate ordinance and applications, may participate in use of the fund. As a municipality accumulates cash receipts which are not needed for immediate disbursement, it can instruct its bank to wire those amounts to the fund (a federal reserve wire transfer will make the money investable by the fund within two hours). A withdrawal request will bring a wire return on similarly short notice.

A-1910, sponsored by Assemblyman William J. Hamilton, Jr. (D-Middlesex), will require city clerks and registrars of vital statistics to make available in their offices information which indicates where persons applying for marriage licenses may be tested for genetic diseases. The literature and information will be provided by private organizations concerned with the genetic diseases.

S-1551, sponsored by Senator Joseph P. Merlino, (D-Mercer), amends the Youth in Community Service Corps Act of 1968, which was designed to provide summer employment for low-income youths. The bill sets a more precise maximum limit on family income requirements for eligible youths: 1.75 times the federal poverty level income as adjusted for family size.

The bill also expands the eligibility for employment in the community service projects to young persons not enrolled in a full-time course of public instruction, although preference will be given to eligible youths who are enrolled. It increases the maximum grant for each youth employed from \$500 to \$750, and expands the definition of eligible sponsors to include counties, school districts, and public or private non-profit agencies or associations.

DCA, which is authorized to make financial grants to community work program sponsors, will require an independent audit of each project within 60 days of the project's termination.

DCA will be able, under this legislation, to contract directly with public and private non-profit organizations which have resources to administer summer programs for disadvantaged youths in municipalities which do not have youth programs.