

# 40A:5-14

## LEGISLATIVE HISTORY CHECKLIST

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**LAWS OF:** 2007      **CHAPTER:** 241

**NJSA:** 40A:5-14 (Authorizes local units to invest in federally insured certificates of deposit under certain circumstances)

**BILL NO:** A3888 (Substituted for S2417)

**SPONSOR(S)** Cohen and Others

**DATE INTRODUCED:** January 9, 2007

**COMMITTEE:**      **ASSEMBLY:** Financial Institutions and Insurance

**SENATE:**

**AMENDED DURING PASSAGE:** No

**DATE OF PASSAGE:**      **ASSEMBLY:** December 13, 2007

**SENATE:** December 17, 2007

**DATE OF APPROVAL:** January 3, 2008

**FOLLOWING ARE ATTACHED IF AVAILABLE:**

[FINAL TEXT OF BILL](#) (Original version of bill enacted)

**A3888**

[SPONSOR'S STATEMENT:](#) (Begins on page 4 of original bill) [Yes](#)

**COMMITTEE STATEMENT:**                      [ASSEMBLY:](#) [Yes](#)

**SENATE:** No

(Audio archived recordings of the committee meetings, corresponding to the date of the committee statement, **may possibly** be found at [www.njleg.state.nj.us](http://www.njleg.state.nj.us))

**FLOOR AMENDMENT STATEMENT:** No

**LEGISLATIVE FISCAL NOTE:** No

**S2417**

[SPONSOR'S STATEMENT:](#) (Begins on page 4 of original bill) [Yes](#)

**COMMITTEE STATEMENT:**                      **ASSEMBLY:** No

[SENATE:](#) [Yes](#)

**FLOOR AMENDMENT STATEMENT:** No

**LEGISLATIVE FISCAL ESTIMATE:** No

**VETO MESSAGE:** No

**GOVERNOR'S PRESS RELEASE ON SIGNING:** No

**FOLLOWING WERE PRINTED:**

To check for circulating copies, contact New Jersey State Government Publications at the State Library (609) 278-2640 ext. 103 or <mailto:refdesk@njstatelib.org>.

**REPORTS:** No

**HEARINGS:** No

**NEWSPAPER ARTICLES:** No

RWH 3/29/08

P.L. 2007, CHAPTER 241, *approved January 3, 2008*  
Assembly, No. 3888

1 AN ACT concerning certain investments by local units and  
2 amending N.J.S.40A:5-14.

3  
4 **BE IT ENACTED** by the Senate and General Assembly of the State  
5 of New Jersey:

6  
7 1. N.J.S.40A:5-14 is amended to read as follows:

8 40A:5-14. a. Each local unit shall adopt a cash management  
9 plan and shall deposit, or invest, or both deposit and invest, its  
10 funds pursuant to that plan. The cash management plan shall  
11 include :

12 (1) the designation of a public depository or depositories as  
13 defined in section 1 of P.L.1970, c.236 (C.17:9-41) and may permit  
14 deposits in such public depository or depositories as permitted in  
15 section 4 of P.L.1970, c.236 (C.17:9-44) or in subsection i. of this  
16 section.

17 (2) the designation of any fund that meets the requirements  
18 established pursuant to section 8 of P.L.1977, c.396 (C.40A:5-  
19 15.1);

20 (3) the authorization for investments as permitted pursuant to  
21 section 8 of P.L.1977, c.396 (C.40A:5-15.1) ; or

22 (4) any combination of the designations or authorizations  
23 permitted pursuant to this subsection a.

24 b. The cash management plan shall be approved annually by  
25 majority vote of the governing body of the local unit and may be  
26 modified from time to time in order to reflect changes in federal or  
27 State law or regulations, or in the designations of depositories,  
28 funds or investment instruments or the authorization for  
29 investments. The chief financial officer of the local unit shall be  
30 charged with administering the plan.

31 c. The cash management plan shall be designed to assure to the  
32 extent practicable the investment of local funds in interest bearing  
33 accounts and other permitted investments. The cash management  
34 plan shall be subject to the annual audit conducted pursuant to  
35 N.J.S.40A:5-4. When an investment in bonds maturing in more  
36 than one year is authorized, the maturity of those bonds shall  
37 approximate the prospective use of the funds invested.

38 d. The cash management plan may include authorization to  
39 invest in any of the investments authorized pursuant to section 8 of  
40 P.L.1977, c.396 (C.40A:5-15.1) and shall set policies for selecting  
41 and evaluating investment instruments accordingly. Such policies  
42 shall consider preservation of capital, liquidity, current and  
43 historical investment returns, diversification, maturity requirements,  
44 costs and fees, and when appropriate, policies of investment

**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.

1 instrument administrators. Policies shall be based on a cash flow  
2 analysis prepared by the chief financial officer and be  
3 commensurate with the nature and size of the funds held by the  
4 local unit. All investments shall be made on a competitive basis  
5 insofar as practicable.

6 e. The cash management plan shall require a monthly report to  
7 the governing body summarizing all investments made or redeemed  
8 since the last meeting. The report shall set forth each organization  
9 holding local unit funds, the amount of securities purchased or sold,  
10 class or type of securities purchased, book value, earned income,  
11 fees incurred, and market value of all investments as of the report  
12 date and other information that may be required by the governing  
13 body.

14 f. The official charged with the custody of moneys of a local  
15 unit shall deposit or invest them as designated or authorized by the  
16 cash management plan pursuant to subsection a. of this section and  
17 shall thereafter be relieved of any liability for loss of such moneys  
18 due to the insolvency or closing of any depository designated by, or  
19 the decrease in value of any investment authorized by, the cash  
20 management plan pursuant to subsection a. of this section.

21 g. Any official involved in the designation of depositories or in  
22 the authorization for investments as permitted pursuant to section 8  
23 of P.L.1977, c.396 (C.40A:5-15.1), or any combination of the  
24 preceding, or the selection of an entity seeking to sell an investment  
25 to the local unit who has a material business or personal  
26 relationship with that organization shall disclose that relationship to  
27 the governing body of the local unit and to the Local Finance Board  
28 or a county or municipal ethics board, as appropriate.

29 h. The registered principal of any security brokerage firm selling  
30 securities to the local unit shall be provided with, and sign an  
31 acknowledgment that the principal has seen and reviewed the local  
32 unit's cash management plan, except that with respect to the sale of  
33 a government money market mutual fund, the registered principal  
34 need only be provided with and sign an acknowledgment that the  
35 government money market mutual fund whose securities are being  
36 sold to the local unit meets the criteria of a government money  
37 market mutual fund as set forth in paragraph (1) of subsection e. of  
38 section 8 of P.L.1977, c.396 (C.40A:5-15.1).

39 i. The cash management plan may provide for the purchase of  
40 certificates of deposit in accordance with the following conditions:

41 (1) the funds are initially invested through a public depository as  
42 defined in section 1 of P.L.1970, c.236 (C.17:9-41) designated by  
43 the local unit;

44 (2) the designated public depository arranges for the deposit of  
45 the funds in certificates of deposit in one or more federally insured  
46 banks or savings and loans associations, for the account of the local  
47 unit;

1     (3) 100 percent of the principal and accrued interest of each  
2 certificate of deposit is insured by the Federal Deposit Insurance  
3 Corporation;

4     (4) the designated public depository acts as custodian for the  
5 local unit with respect to the certificates of deposit issued for the  
6 local unit's account; and

7     (5) at the same time that the local unit's funds are deposited and  
8 the certificates of deposit are issued, the designated public  
9 depository receives an amount of deposits from customers of other  
10 banks and savings and loans associations, wherever located, equal  
11 to the amount of funds initially invested by the local unit through  
12 the designated public depository.

13 (cf: P.L.1997, c.148, s.2)

14

15         2. This act shall take effect on the 90th day following enactment.

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STATEMENT

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20         This bill authorizes counties, municipalities, and other local  
21 units, not including a school district, to invest funds in certificates  
22 of deposit insured by the Federal Deposit Insurance Corporation  
23 (FDIC) without requiring the public depository receiving those  
24 funds to pledge collateral.

25         Specifically, this bill authorizes a local unit to deposit funds in a  
26 public depository designated by the unit in excess of the current  
27 \$100,000 FDIC insurance limit without the public depository  
28 pledging collateral to secure the deposits as long as: 1) the public  
29 depository arranges for the deposit of the funds in certificates of  
30 deposit in one or more federally insured financial institutions or  
31 savings and loans associations; 2) 100 percent of the principal and  
32 accrued interest of each certificate of deposit is insured by the  
33 FDIC; 3) the local unit's public depository acts as custodian for  
34 the local unit with respect to the certificates of deposit; and 4) the  
35 public depository receives deposits from customers of other  
36 financial institutions and savings and loans equal to the amount of  
37 money invested in the certificates of deposit by the local unit  
38 through the designated public depository.

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43         \_\_\_\_\_  
44         Authorizes local units to invest in federally insured certificates  
of deposit under certain circumstances.

# ASSEMBLY, No. 3888

## STATE OF NEW JERSEY 212th LEGISLATURE

INTRODUCED JANUARY 9, 2007

**Sponsored by:**

**Assemblyman NEIL M. COHEN**

**District 20 (Union)**

**Assemblywoman CHARLOTTE VANDERVALK**

**District 39 (Bergen)**

**Assemblyman VINCENT PRIETO**

**District 32 (Bergen and Hudson)**

**Co-Sponsored by:**

**Assemblyman Connors, Senators Cardinale and Kyrillos**

**SYNOPSIS**

Authorizes local units to invest in federally insured certificates of deposit under certain circumstances.

**CURRENT VERSION OF TEXT**

As introduced.



**(Sponsorship Updated As Of: 12/18/2007)**

1 AN ACT concerning certain investments by local units and  
2 amending N.J.S.40A:5-14.

3

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

6

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

8 40A:5-14. a. Each local unit shall adopt a cash management  
9 plan and shall deposit, or invest, or both deposit and invest, its  
10 funds pursuant to that plan. The cash management plan shall  
11 include :

12 (1) the designation of a public depository or depositories as  
13 defined in section 1 of P.L.1970, c.236 (C.17:9-41) and may permit  
14 deposits in such public depository or depositories as permitted in  
15 section 4 of P.L.1970, c.236 (C.17:9-44) or in subsection i. of this  
16 section.

17 (2) the designation of any fund that meets the requirements  
18 established pursuant to section 8 of P.L.1977, c.396 (C.40A:5-  
19 15.1);

20 (3) the authorization for investments as permitted pursuant to  
21 section 8 of P.L.1977, c.396 (C.40A:5-15.1) ; or

22 (4) any combination of the designations or authorizations  
23 permitted pursuant to this subsection a.

24 b. The cash management plan shall be approved annually by  
25 majority vote of the governing body of the local unit and may be  
26 modified from time to time in order to reflect changes in federal or  
27 State law or regulations, or in the designations of depositories,  
28 funds or investment instruments or the authorization for  
29 investments. The chief financial officer of the local unit shall be  
30 charged with administering the plan.

31 c. The cash management plan shall be designed to assure to the  
32 extent practicable the investment of local funds in interest bearing  
33 accounts and other permitted investments. The cash management  
34 plan shall be subject to the annual audit conducted pursuant to  
35 N.J.S.40A:5-4. When an investment in bonds maturing in more  
36 than one year is authorized, the maturity of those bonds shall  
37 approximate the prospective use of the funds invested.

38 d. The cash management plan may include authorization to  
39 invest in any of the investments authorized pursuant to section 8 of  
40 P.L.1977, c.396 (C.40A:5-15.1) and shall set policies for selecting  
41 and evaluating investment instruments accordingly. Such policies  
42 shall consider preservation of capital, liquidity, current and  
43 historical investment returns, diversification, maturity requirements,  
44 costs and fees, and when appropriate, policies of investment  
45 instrument administrators. Policies shall be based on a cash flow

**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.**

1 analysis prepared by the chief financial officer and be  
2 commensurate with the nature and size of the funds held by the  
3 local unit. All investments shall be made on a competitive basis  
4 insofar as practicable.

5 e. The cash management plan shall require a monthly report to  
6 the governing body summarizing all investments made or redeemed  
7 since the last meeting. The report shall set forth each organization  
8 holding local unit funds, the amount of securities purchased or sold,  
9 class or type of securities purchased, book value, earned income,  
10 fees incurred, and market value of all investments as of the report  
11 date and other information that may be required by the governing  
12 body.

13 f. The official charged with the custody of moneys of a local  
14 unit shall deposit or invest them as designated or authorized by the  
15 cash management plan pursuant to subsection a. of this section and  
16 shall thereafter be relieved of any liability for loss of such moneys  
17 due to the insolvency or closing of any depository designated by, or  
18 the decrease in value of any investment authorized by, the cash  
19 management plan pursuant to subsection a. of this section.

20 g. Any official involved in the designation of depositories or in  
21 the authorization for investments as permitted pursuant to section 8  
22 of P.L.1977, c.396 (C.40A:5-15.1), or any combination of the  
23 preceding, or the selection of an entity seeking to sell an investment  
24 to the local unit who has a material business or personal  
25 relationship with that organization shall disclose that relationship to  
26 the governing body of the local unit and to the Local Finance Board  
27 or a county or municipal ethics board, as appropriate.

28 h. The registered principal of any security brokerage firm selling  
29 securities to the local unit shall be provided with, and sign an  
30 acknowledgment that the principal has seen and reviewed the local  
31 unit's cash management plan, except that with respect to the sale of  
32 a government money market mutual fund, the registered principal  
33 need only be provided with and sign an acknowledgment that the  
34 government money market mutual fund whose securities are being  
35 sold to the local unit meets the criteria of a government money  
36 market mutual fund as set forth in paragraph (1) of subsection e. of  
37 section 8 of P.L.1977, c.396 (C.40A:5-15.1).

38 i. The cash management plan may provide for the purchase of  
39 certificates of deposit in accordance with the following conditions:

40 (1) the funds are initially invested through a public depository as  
41 defined in section 1 of P.L.1970, c.236 (C.17:9-41) designated by  
42 the local unit;

43 (2) the designated public depository arranges for the deposit of  
44 the funds in certificates of deposit in one or more federally insured  
45 banks or savings and loans associations, for the account of the local  
46 unit;



1       (3) 100 percent of the principal and accrued interest of each  
2 certificate of deposit is insured by the Federal Deposit Insurance  
3 Corporation;

4       (4) the designated public depository acts as custodian for the  
5 local unit with respect to the certificates of deposit issued for the  
6 local unit's account; and

7       (5) at the same time that the local unit's funds are deposited and  
8 the certificates of deposit are issued, the designated public  
9 depository receives an amount of deposits from customers of other  
10 banks and savings and loans associations, wherever located, equal  
11 to the amount of funds initially invested by the local unit through  
12 the designated public depository.

13 (cf: P.L.1997, c.148, s.2)

14

15       2. This act shall take effect on the 90th day following enactment.

16

17

18

#### STATEMENT

19

20       This bill authorizes counties, municipalities, and other local  
21 units, not including a school district, to invest funds in certificates  
22 of deposit insured by the Federal Deposit Insurance Corporation  
23 (FDIC) without requiring the public depository receiving those  
24 funds to pledge collateral.

25       Specifically, this bill authorizes a local unit to deposit funds in a  
26 public depository designated by the unit in excess of the current  
27 \$100,000 FDIC insurance limit without the public depository  
28 pledging collateral to secure the deposits as long as: 1) the public  
29 depository arranges for the deposit of the funds in certificates of  
30 deposit in one or more federally insured financial institutions or  
31 savings and loans associations; 2) 100 percent of the principal and  
32 accrued interest of each certificate of deposit is insured by the  
33 FDIC; 3) the local unit's public depository acts as custodian for  
34 the local unit with respect to the certificates of deposit; and 4) the  
35 public depository receives deposits from customers of other  
36 financial institutions and savings and loans equal to the amount of  
37 money invested in the certificates of deposit by the local unit  
38 through the designated public depository.

ASSEMBLY FINANCIAL INSTITUTIONS AND INSURANCE  
COMMITTEE

STATEMENT TO

**ASSEMBLY, No. 3888**

**STATE OF NEW JERSEY**

DATED: MARCH 5, 2007

The Assembly Financial Institutions and Insurance Committee reports favorably Assembly Bill No. 3888.

This bill authorizes counties, municipalities, and other local units, other than school districts, to invest funds in certificates of deposit insured by the Federal Deposit Insurance Corporation (FDIC) without requiring the public depository receiving those funds to pledge collateral under certain circumstances`.

Specifically, this bill authorizes a local unit to deposit funds in a public depository designated by the unit in excess of the current \$100,000 FDIC insurance limit without the public depository pledging collateral to secure the deposits as long as: 1) the public depository arranges for the deposit of the funds in certificates of deposit in one or more federally insured financial institutions or savings and loans associations; 2) 100 percent of the principal and accrued interest of each certificate of deposit is insured by the FDIC; 3) the local unit's public depository acts as custodian for the local unit with respect to the certificates of deposit; and 4) the public depository receives deposits from customers of other financial institutions and savings and loans equal to the amount of money invested in the certificates of deposit by the local unit through the designated public depository.

# SENATE, No. 2417

## STATE OF NEW JERSEY 212th LEGISLATURE

INTRODUCED DECEMBER 14, 2006

**Sponsored by:**

**Senator GERALD CARDINALE**

**District 39 (Bergen)**

**Senator JOSEPH M. KYRILLOS, JR.**

**District 13 (Middlesex and Monmouth)**

**SYNOPSIS**

Authorizes local units to invest in federally insured certificates of deposit under certain circumstances.

**CURRENT VERSION OF TEXT**

As introduced.



1 AN ACT concerning certain investments by local units and  
2 amending N.J.S.40A:5-14.

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4 **BE IT ENACTED** by the Senate and General Assembly of the State  
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17 (2) the designation of any fund that meets the requirements  
18 established pursuant to section 8 of P.L.1977, c.396 (C.40A:5-  
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21 section 8 of P.L.1977, c.396 (C.40A:5-15.1) ; or

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25 majority vote of the governing body of the local unit and may be  
26 modified from time to time in order to reflect changes in federal or  
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28 funds or investment instruments or the authorization for  
29 investments. The chief financial officer of the local unit shall be  
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31 c. The cash management plan shall be designed to assure to the  
32 extent practicable the investment of local funds in interest bearing  
33 accounts and other permitted investments. The cash management  
34 plan shall be subject to the annual audit conducted pursuant to  
35 N.J.S.40A:5-4. When an investment in bonds maturing in more  
36 than one year is authorized, the maturity of those bonds shall  
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40 P.L.1977, c.396 (C.40A:5-15.1) and shall set policies for selecting  
41 and evaluating investment instruments accordingly. Such policies  
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43 historical investment returns, diversification, maturity requirements,  
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45 instrument administrators. Policies shall be based on a cash flow

**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.**

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2 commensurate with the nature and size of the funds held by the  
3 local unit. All investments shall be made on a competitive basis  
4 insofar as practicable.

5 e. The cash management plan shall require a monthly report to  
6 the governing body summarizing all investments made or redeemed  
7 since the last meeting. The report shall set forth each organization  
8 holding local unit funds, the amount of securities purchased or sold,  
9 class or type of securities purchased, book value, earned income,  
10 fees incurred, and market value of all investments as of the report  
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12 body.

13 f. The official charged with the custody of moneys of a local  
14 unit shall deposit or invest them as designated or authorized by the  
15 cash management plan pursuant to subsection a. of this section and  
16 shall thereafter be relieved of any liability for loss of such moneys  
17 due to the insolvency or closing of any depository designated by, or  
18 the decrease in value of any investment authorized by, the cash  
19 management plan pursuant to subsection a. of this section.

20 g. Any official involved in the designation of depositories or in  
21 the authorization for investments as permitted pursuant to section 8  
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23 preceding, or the selection of an entity seeking to sell an investment  
24 to the local unit who has a material business or personal  
25 relationship with that organization shall disclose that relationship to  
26 the governing body of the local unit and to the Local Finance Board  
27 or a county or municipal ethics board, as appropriate.

28 h. The registered principal of any security brokerage firm selling  
29 securities to the local unit shall be provided with, and sign an  
30 acknowledgment that the principal has seen and reviewed the local  
31 unit's cash management plan, except that with respect to the sale of  
32 a government money market mutual fund, the registered principal  
33 need only be provided with and sign an acknowledgment that the  
34 government money market mutual fund whose securities are being  
35 sold to the local unit meets the criteria of a government money  
36 market mutual fund as set forth in paragraph (1) of subsection e. of  
37 section 8 of P.L.1977, c.396 (C.40A:5-15.1).

38 i. The cash management plan may provide for the purchase of  
39 certificates of deposit in accordance with the following conditions:

40 (1) the funds are initially invested through a public depository as  
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42 the local unit;

43 (2) the designated public depository arranges for the deposit of  
44 the funds in certificates of deposit in one or more federally insured  
45 banks or savings and loans associations, for the account of the local  
46 unit;

1       (3) 100 percent of the principal and accrued interest of each  
2 certificate of deposit is insured by the Federal Deposit Insurance  
3 Corporation;

4       (4) the designated public depository acts as custodian for the  
5 local unit with respect to the certificates of deposit issued for the  
6 local unit's account; and

7       (5) at the same time that the local unit's funds are deposited and  
8 the certificates of deposit are issued, the designated public  
9 depository receives an amount of deposits from customers of other  
10 banks and savings and loans associations, wherever located, equal  
11 to the amount of funds initially invested by the local unit through  
12 the designated public depository.

13 (cf: P.L.1997, c.148, s.2)

14

15       2. This act shall take effect on the 90th day following enactment.

16

17

18

#### STATEMENT

19

20       This bill authorizes counties, municipalities, and other local  
21 units, not including a school district, to invest funds in certificates  
22 of deposit insured by the Federal Deposit Insurance Corporation  
23 (FDIC) without requiring the public depository receiving those  
24 funds to pledge collateral.

25       Specifically, this bill authorizes a local unit to deposit funds in a  
26 public depository designated by the unit in excess of the current  
27 \$100,000 FDIC insurance limit without the public depository  
28 pledging collateral to secure the deposits as long as: 1) the public  
29 depository arranges for the deposit of the funds in certificates of  
30 deposit in one or more federally insured financial institutions or  
31 savings and loans associations; 2) 100 percent of the principal and  
32 accrued interest of each certificate of deposit is insured by the  
33 FDIC; 3) the local unit's public depository acts as custodian for  
34 the local unit with respect to the certificates of deposit; and 4) the  
35 public depository receives deposits from customers of other  
36 financial institutions and savings and loans equal to the amount of  
37 money invested in the certificates of deposit by the local unit  
38 through the designated public depository.

SENATE STATE GOVERNMENT COMMITTEE

STATEMENT TO

**SENATE, No. 2417**

**STATE OF NEW JERSEY**

DATED: DECEMBER 3, 2007

The Senate State Government Committee reports favorably Senate, No. 2417.

This bill authorizes counties, municipalities, and other local units, other than school districts, to invest funds in certificates of deposit insured by the Federal Deposit Insurance Corporation (FDIC) without requiring the public depository receiving those funds to pledge collateral under certain circumstances.

Specifically, this bill authorizes a local unit to deposit funds in a public depository designated by the unit in excess of the current \$100,000 FDIC insurance limit without the public depository pledging collateral to secure the deposits as long as: 1) the public depository arranges for the deposit of the funds in certificates of deposit in one or more federally insured financial institutions or savings and loans associations; 2) 100 percent of the principal and accrued interest of each certificate of deposit is insured by the FDIC; 3) the local unit's public depository acts as custodian for the local unit with respect to the certificates of deposit; and 4) the public depository receives deposits from customers of other financial institutions and savings and loans equal to the amount of money invested in the certificates of deposit by the local unit through the designated public depository.

This bill is identical to Assembly, No. 3888 of 2006-2007.