

17:9-41

LEGISLATIVE HISTORY CHECKLIST

(Gov. Unit Deposit Protection Act specify securities allowable as collateral)

NJSA 17:9-41

LAWS 1982

CHAPTER 169

Bill No. A663

Sponsor(s) Kalik and others

Date Introduced Feb. 8, 1982

Committee: Assembly Banking and Insurance

Senate Labor, Industry and Professions

Amended during passage ~~Yes~~ No

Date of Passage: Assembly May 24, 1982

Senate Sept. 23, 1982

Date of approval Nov. 5, 1982

Following statements are attached if available:

Sponsor statement	Yes	No
Committee Statement: Assembly	Yes	No
Senate	Yes	No
Fiscal Note	Yes	No
Veto Message	Yes	No
Message on signing	Yes	No
Following were printed:		
Reports	Yes	No
Hearings	Yes	No

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CHAPTER 169 LAWS OF N. J. 1982
APPROVED 11-5-82

ASSEMBLY, No. 663

STATE OF NEW JERSEY

INTRODUCED FEBRUARY 8, 1982

By Assemblywoman KALIK, Assemblymen MATTHEWS, DEVERIN,
LESNIAK, PANKOK, HERMAN, NAPLES and WATSON

Referred to Committee on Banking and Insurance

AN ACT to amend "An act concerning security for deposits of governmental units in banks, savings banks and savings and loan associations," approved October 27, 1970 (P. L. 1970, c. 236).

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

1 1. Section 1 of P. L. 1970, c. 236 (C. 17:9-41) is amended to read
2 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 any,
12 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
19 limited to, capital notes, bond anticipation notes, tax anticipation
20 notes and temporary notes or loan bonds, (mortgages insured or

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 printed in italics *thus* is new matter.

21 guaranteed by the United States of America or an instrumentality
 22 thereof as to payment of principal and interest to the extent of such
 23 insurance or guarantee), [and] any other obligations now or here-
 24 after authorized by law as security for public deposits[;], and all
 25 other bonds, notes, and obligations in which the State, [and all]
 26 political subdivisions of the State, their officers, boards, commis-
 27 sions, departments and agencies may [by law] invest, pursuant
 27A to an express authorization under any law authorizing the issuance
 27B of such bonds, notes, or obligations;

28 "Event of default" means issuance of an order of a supervisory
 29 authority or of a receiver restraining a public depository from
 30 making payments of deposit liabilities;

31 "Governmental unit" means any county, municipality, school
 32 district or any public body corporate and politic created or
 33 established under any law of this State by or on behalf of any one
 34 or more counties or municipalities, or any board, commission, de-
 35 partment or agency of any of the foregoing having custody of funds;

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

41 "Net deposit liability" means the deposit liability of a defaulting
 42 depository to a governmental unit after deduction of any deposit
 43 insurance with respect thereto;

44 "Public depository" means a State bank, a national bank, a sav-
 45 ings bank or an association located in this State, the deposits of
 46 which are insured by the Federal Deposit Insurance Corporation or
 47 the Federal Savings and Loan Insurance Corporation, as the case
 48 may be, and which receives or holds public funds on deposit;

49 "Public funds" means the fund of any governmental unit; but does
 50 not include deposits held by the State of New Jersey Cash Manage-
 51 ment Fund;

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

1 2. This act shall take effect immediately.

SPONSORS' STATEMENT

This legislation would increase the number of investments which are eligible to be used as collateral under the terms of the "Government Unit Deposit Act." In addition to the investments presently permitted by law, banks could use as collateral any investment which political subdivisions of the State may invest in under any

State law authorizing the issuance of such investments. In simple terms, these investments would include obligations of various government and quasi-government bodies such as the Economic Development Authority.

The "Government Unit Deposit Act," passed by the Legislature in 1970, requires depository institutions to deposit collateral for government moneys which they have on deposit. This requirement was established in order to protect government deposits in the event of a bank failure; in some cases government deposits are too large to be completely covered by deposit insurance.

ASSEMBLY BANKING AND INSURANCE COMMITTEE

STATEMENT TO

ASSEMBLY, No. 663

STATE OF NEW JERSEY

DATED: MAY 17, 1982

Assembly Bill No. 663 increases the types of debt obligations, issued by governmental entities of this State and the U.S. government, that can be used as eligible collateral or security by public depositories for government unit funds on deposit with such depositories. This bill improves the investment appeal to depository institutions of the additional debt obligations authorized to be so used.

Assembly Bill No. 663 allows a public depository holding funds of governmental units on deposit to maintain as security for such deposits (referred to in the act as eligible collateral) any bonds, notes or obligations the issuance of which is expressly authorized by law, in which the State or any political subdivision is expressly authorized by law to invest. A public depository means any commercial bank, savings bank or savings and loan association, the deposits of which are insured by an appropriate federal agency. The security requirements for public deposits are set forth in C. 17:9-44.

At present, only obligations issued or guaranteed by the United States or New Jersey, obligations of governmental units, and any obligations authorized by law as security for public deposits, may be used as eligible collateral. It is the opinion of the State Department of Banking that the obligations of a number of State authorities (e.g. the New Jersey Economic Development Authority, the New Jersey Turnpike Authority, the New Educational Facilities Authority, the New Jersey Health Care Facilities Authority) and of several federal agencies (e.g. the Federal Land Bank, the Federal National Mortgage Association) do not qualify as eligible collateral under existing law.

The types of investment securities authorized by law for the designated governmental entities can be found in the following statutes:

- a. In the case of school districts, in P. L. 1977, c. 177, s. 1 (C. 18A:20-37);
- b. In the case of counties and municipalities, P. L. 1977, c. 396, s. 8 (C. 40A:5-15.1);
- c. In the case of State and certain other public entities, P. L. 1950, c. 270, s. 11 (C. 52:18A-90); and
- d. In the case of other political subdivisions, the enabling legislation authorizing such subdivisions.

SENATE LABOR, INDUSTRY AND PROFESSIONS
COMMITTEE

STATEMENT TO
ASSEMBLY, No. 663

STATE OF NEW JERSEY

DATED: JUNE 28, 1982

This bill increases the number of investments which are eligible to be used as collateral under terms of the "Government Unit Deposit Act." In addition to the types of collateral presently permitted by law, banks, savings banks and savings and loan associations would be able to use as collateral any bonds, notes or other obligations in which the State and political subdivisions of the State may invest pursuant to the law authorizing the issuance of such bonds, notes or other obligations.

The "Government Unit Deposit Act" of 1970 requires banks, savings banks and savings and loan associations to deposit collateral for government moneys which they have on deposit. This requirement was established in order to protect government deposits in the event the depository institution failed. In many cases the government deposits are too large to be completely covered by deposit insurance.

OFFICE OF THE GOVERNOR

RELEASE: IMMEDIATE

CONTACT: PAUL WOLCOTT

FRIDAY, NOVEMBER 5, 1982

Governor Thomas H. Kean has signed the following bills:

A-1986, sponsored by Assemblyman Raymond Lesniak, D-Union, which exempts minors who are participating in Junior Achievement programs from the employment restrictions relating to specific occupations, hazardous conditions or the use of certain machinery. Junior Achievement is a private economic education program involving some 3,500 New Jersey students each year. The exemptions provided for in this bill will allow participants, supervised by counsellors from business and industry, to participate in registered apprenticeship programs and other cooperative education programs.

A-663, sponsored by Assemblywoman Barbara F. Kalik, D-Burlington, which increases the type of debt obligations which can be used as collateral or security by institutions now holding government funds on deposit.

A-535, sponsored by Assemblyman John O. Bennett, which permits local harbor and waterfront commissions to act of expenditures leases and property transfers up to \$2,500 without governing body approval. The current level is \$500.

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