

1988

Session Law 88-171

Florida Senate & House of Representatives

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LEGISLATIVE SUPPLEMENT "B" - SESSION LAW ABSTRACT

Sess. Law # 88-171	Sec. #	LOF cite
Prime Bill # SB 419	Comp./Sim. Bills 54821, HB 1164 HB 1384	
JLMC Hist. Cites	Senate 91, 144 House 383-4, 411	Comms. of Ref. Senate ECCA FAT, GovOps (271) House Comm. Off. (1164)

COMMITTEE RECORDS

H/S	Committee	Record Series: Folder title, etc.	Loc. Cite	✓
H	Comm. Off.	Bill files, 1988: HB 1164	19/1916	✓
"	"	" " " HB 1384	19/1917	✓
S	ECCA	Bill files, 1988: " "	18/1430	
"	FAT	Meeting file, 1988: 5-4-88 ()	18/1113	✓
"	GovOps	Bill files, 1988: SB 821 (H.M. (U))	18/1741	✓
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Senate/House Journals

Page #	?	Date	Page #	?	Date
SJ, 304			HJ 1123		
HJ, 746			HJ, 116		

Committee/Floor Tapes

H/S	c/f	Committee/subcommittee name	Date	#	Location Cite

Other Documentation

Record Series Title, folder title, etc.	Location Cite

COMMITTEE RECORDS (continued)

H/S	Committee	Record Series: Folder title, etc.	Location Cite	✓

NOTES

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By Senator Brown

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A bill to be entitled
An act relating to the investment of county and
municipal funds; amending ss. 125.31, 166.261,
F.S.; providing requirements for the
safekeeping of securities purchased by such
entities; providing an effective date.

Be It Enacted by the Legislature of the State of Florida:

Section 1. Paragraph (a) of subsection (2) of section
125.31, Florida Statutes, is amended to read:

125.31 Investment of surplus public funds;
regulations.--

(2)(a) Every security purchased by ~~any such board~~
under the authority of this section on behalf of the governing
body of a county ~~law~~ shall be properly earmarked and:

1. If registered with the issuer or its agents, shall
be immediately placed for safekeeping in a location which
protects the governing body's interest in the security;

2. If in book entry form, shall be held for the credit
of the governing body of the county by a depository chartered
by either the Federal Government or the state and shall be
kept by the depository in a separate account; or

3. Shall be immediately placed for safekeeping in a
safety-deposit box in a financial ~~some bank or~~ institution in
this state that maintains ~~carrying~~ adequate safety-deposit box
insurance within such county; and no withdrawal of such
securities in whole or in part shall be made from such safety-
deposit box except upon authority evidenced by resolution of
the board of county commissioners of such county.

1 Section 2. Paragraph (a) of subsection (2) of section
2 166.261, Florida Statutes, is amended to read:

3 166.261 Municipalities; investments.--

4 (2)(a) Every security purchased ~~by any such governing~~
5 body under this section on behalf of the governing body of a
6 municipality shall be properly earmarked and:

7 1. If registered with the issuer or its agents, shall
8 be immediately placed for safekeeping in a location which
9 protects the governing body's interest in the security;

10 2. If in book entry form, shall be held for the credit
11 of the governing body of the county by a depository chartered
12 by either the Federal Government or the state and shall be
13 kept by the depository in a separate account; or

14 3. Shall be immediately placed for safekeeping in a
15 safety-deposit box in a financial bank or institution in this
16 state that maintains carrying adequate safety-deposit box
17 insurance within the county in which the municipality is
18 situated; and no withdrawal of such securities, in whole or in
19 part, shall be made from such safety-deposit box except upon
20 authority evidenced by resolution of the governing body of the
21 municipality.

22 Section 3. This act shall take effect October 1, 1988.

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SENATE SUMMARY

Provides requirements for the safekeeping of securities purchased on behalf of county or municipal governing bodies.

By the Committee on Economic, Community and Consumer Affairs and
Senator Brown

This publication was produced at an average cost of 1.5 cents per page for the information of members of the Legislature and the public.

1 A bill to be entitled

2 An act relating to the investment of county and

3 municipal funds; amending ss. 125.31, 166.261,

4 F.S.; providing requirements for the

5 safekeeping of securities purchased by such

6 entities; providing an effective date.

7

8 Be It Enacted by the Legislature of the State of Florida:

9

10 Section 1. Paragraph (a) of subsection (2) of section

11 125.31, Florida Statutes, is amended to read:

12 125.31 Investment of surplus public funds;

13 regulations.--

14 (2)(a) Every security purchased ~~by any such board~~

15 under the authority of this section on behalf of the governing

16 body of a county law shall be properly earmarked and:

17 1. If registered with the issuer or its agents, shall

18 be immediately placed for safekeeping in a location which

19 protects the governing body's interest in the security;

20 2. If in book entry form, shall be held for the credit

21 of the governing body of the county by a depository chartered

22 by either the Federal Government or the state and shall be

23 kept by the depository in an account separate and apart from

24 the assets of the financial institution; or

25 3. If physically issued to the holder, but not

26 registered with the issuer or its agents, shall be immediately

27 placed for safekeeping in a safety-deposit box in a financial

28 some-bank-or institution in this state that maintains carrying

29 adequate safety-deposit box insurance within such county; and

30 no withdrawal of such securities in whole or in part shall be

31 made from such safety-deposit box except upon authority

1 ~~evidenced-by-resolution-of-the-board-of-county-commissioners~~
2 ~~of-such-county.~~

3 Section 2. Paragraph (a) of subsection (2) of section
4 166.261, Florida Statutes, is amended to read:

5 166.261 Municipalities; investments.--

6 (2)(a) Every security purchased ~~by-any-such-governing~~
7 ~~body~~ under this section on behalf of the governing body of a
8 municipality shall be properly earmarked and:

9 1. If registered with the issuer or its agents, shall
10 be immediately placed for safekeeping in a location which
11 protects the governing body's interest in the security;

12 2. If in book entry form, shall be held for the credit
13 of the governing body of the municipality by a depository
14 chartered by either the Federal Government or the state and
15 shall be kept by the depository in an account separate and
16 apart from the assets of the financial institution; or

17 3. If physically issued to the holder, but not
18 registered with the issuer or its agents, shall be immediately
19 placed for safekeeping in a safety-deposit box in a financial
20 bank-or institution in this state that maintains carrying
21 adequate safety-deposit box insurance within-the-county-in
22 which-the-municipality-is-situated,-and-no-withdrawal-of-such
23 securities,-in-whole-or-in-part,-shall-be-made-from-such
24 safety-deposit-box-except-upon-authority-evidenced-by
25 resolution-of-the-governing-body-of-the-municipality.

26 Section 3. This act shall take effect October 1, 1988.
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STATEMENT OF SUBSTANTIAL CHANGES CONTAINED IN
COMMITTEE SUBSTITUTE FOR
Senate Bill 419

Clarifies that certain securities held for the credit of a county or municipal governing body are to be kept in an account separate from that of the responsible financial institution.

Clarifies that only securities which are physically issued to a local government, but which are not registered with the issuer or its agents, must be placed in a safety-deposit box.

By Representative Wallace

1 A bill to be entitled
 2 An act relating to public funds; amending ss.
 3 125.31, 166.261, 215.47, and 219.075, F.S.;
 4 providing for the investment of surplus public
 5 funds of counties, county officers, and
 6 municipalities, and state trust funds, in
 7 securities of, or other interests in, certain
 8 open-end or closed-end management-type
 9 investment companies or investment trusts
 10 registered under the Investment Company Act of
 11 1940; amending ss. 280.13 and 280.14, F.S.;
 12 providing that such securities or interests may
 13 be pledged as security for public deposits by
 14 banks or savings associations; providing an
 15 effective date.

16
 17 Be It Enacted by the Legislature of the State of Florida;

18
 19 Section 1. Paragraphs (d) and (e) of subsection (1) of
 20 section 125.31, Florida Statutes, are amended, and paragraph
 21 (f) is added to said subsection, to read:

22 125.31 Investment of surplus public funds;
 23 regulations.--

24 (1) Unless otherwise authorized by law or by
 25 ordinance, the board of county commissioners shall, by
 26 resolution to be adopted from time to time, invest and
 27 reinvest any surplus public funds in its control or possession
 28 in:

29 (d) Obligations of the federal farm credit banks; the
 30 Federal Home Loan Mortgage Corporation, including Federal Home
 31 Loan Mortgage Corporation participation certificates; or the

1 Federal Home Loan Bank or its district banks or obligations
2 guaranteed by the Government National Mortgage Association; or
3 (e) Obligations of the Federal National Mortgage
4 Association, including Federal National Mortgage Association
5 participation certificates and mortgage pass-through
6 certificates guaranteed by the Federal National Mortgage
7 Association; or
8 (f) Securities of, or other interests in, any open-end
9 or closed-end management-type investment company or investment
10 trust registered under the Investment Company Act of 1940, 15
11 U.S.C. s. 80a-1 et seq., as amended from time to time,
12 provided that the portfolio of such investment company or
13 investment trust is limited to United States government
14 obligations and to repurchase agreements fully collateralized
15 by such United States government obligations, and provided
16 further that any such investment company or investment trust
17 shall take delivery of such collateral either directly or
18 through an authorized custodian.
19 Section 2. Paragraphs (d) and (e) of subsection (1) of
20 section 166.261, Florida Statutes, are amended, and paragraph
21 (f) is added to said subsection, to read:
22 166.261 Municipalities; investments.--
23 (1) Unless otherwise authorized by law or by
24 ordinance, the governing body of each municipality shall, by
25 resolution to be adopted from time to time, invest and
26 reinvest any surplus public funds in its control or possession
27 in:
28 (d) Obligations of the federal farm credit banks; the
29 Federal Home Loan Mortgage Corporation, including Federal Home
30 Loan Mortgage Corporation participation certificates; or the
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1 Federal Home Loan Bank or its district banks or obligations
2 guaranteed by the Government National Mortgage Association; or
3 (e) Obligations of the Federal National Mortgage
4 Association, including Federal National Mortgage Association
5 participation certificates and mortgage pass-through
6 certificates guaranteed by the Federal National Mortgage
7 Association; or

8 (f) Securities of, or other interests in, any open-end
9 or closed-end management-type investment company or investment
10 trust registered under the Investment Company Act of 1940, 15
11 U.S.C. s. 80a-1 et seq., as amended from time to time,
12 provided that the portfolio of such investment company or
13 investment trust is limited to United States government
14 obligations and to repurchase agreements fully collateralized
15 by such United States government obligations, and provided
16 further that any such investment company or investment trust
17 shall take delivery of such collateral either directly or
18 through an authorized custodian.

19 Section 3. Paragraph (o) is added to subsection (1) of
20 section 215.47, Florida Statutes, to read:

21 215.47 Investments; authorized securities.--Subject to
22 the limitations and conditions of the State Constitution or of
23 the trust agreement relating to a trust fund, moneys available
24 for investments under ss. 215.44-215.53 may be invested as
25 follows:

26 (1) Without limitation in:

27 (o) Securities of, or other interests in, any open-end
28 or closed-end management-type investment company or investment
29 trust registered under the Investment Company Act of 1940, 15
30 U.S.C. s. 80a-1 et seq., as amended from time to time,
31 provided that the portfolio of such investment company or

1 investment trust is limited to United States government
2 obligations and to repurchase agreements fully collateralized
3 by such United States government obligations, and provided
4 further that any such investment company or investment trust
5 shall take delivery of such collateral either directly or
6 through an authorized custodian.

7 Section 4. Paragraph (a) of subsection (1) of section
8 219.075, Florida Statutes, is amended to read:

9 219.075 Investment of surplus funds by county
10 officers.--

11 (1)(a) Except when another procedure is prescribed by
12 law or by ordinance as to particular funds, a tax collector or
13 any other county officer having, receiving, or collecting any
14 money, either for his office or on behalf of and subject to
15 subsequent distribution to another officer of state or local
16 government, while such money is surplus to current needs of
17 his office or is pending distribution, shall invest such
18 money, without limitation, in:

19 1. The Local Government Surplus Funds Trust Fund, as
20 created by s. 218.405;

21 2. Bonds, notes, or other obligations of the United
22 States guaranteed by the United States or for which the credit
23 of the United States is pledged for the payment of the
24 principal and interest or dividends; or

25 3. Interest-bearing time deposits or savings accounts
26 in banks organized under the laws of this state, in national
27 banks organized under the laws of the United States and doing
28 business and situated in this state, in savings and loan
29 associations which are under state supervision, or in federal
30 savings and loan associations located in this state and
31 organized under federal law and federal supervision, provided

1 that any such deposits are secured by collateral as may be
2 prescribed by law, ~~or~~

3 4. Securities of, or other interests in, any open-end
4 or closed-end management-type investment company or investment
5 trust registered under the Investment Company Act of 1940, 15
6 U.S.C. s. 80a-1 et seq., as amended from time to time,
7 provided that the portfolio of such investment company or
8 investment trust is limited to United States government
9 obligations and to repurchase agreements fully collateralized
10 by such United States government obligations, and provided
11 further that any such investment company or investment trust
12 shall take delivery of such collateral either directly or
13 through an authorized custodian.

14 Section 5. Paragraph (p) is added to subsection (1) of
15 section 280.13, Florida Statutes, to read:

16 280.13 Collateral eligible for pledge by banks.--

17 (1) Securities eligible to be pledged as collateral by
18 banks shall be limited to:

19 (p) Securities of, or other interests in, any open-end
20 or closed-end management-type investment company or investment
21 trust registered under the Investment Company Act of 1940, 15
22 U.S.C. s. 80a-1 et seq., as amended from time to time,
23 provided that the portfolio of such investment company or
24 investment trust is limited to United States government
25 obligations and to repurchase agreements fully collateralized
26 by such United States government obligations, and provided
27 further that any such investment company or investment trust
28 shall take delivery of such collateral either directly or
29 through an authorized custodian.

30 Section 6. Paragraph (q) is added to subsection (1) of
31 section 280.14, Florida Statutes, to read:

1 280.14 Collateral eligible for pledge by savings
2 associations.--
3 (1) Securities eligible to be pledged as collateral by
4 savings associations shall be limited to:
5 (g) Securities of, or other interests in, any open-end
6 or closed-end management-type investment company or investment
7 trust registered under the Investment Company Act of 1940, 15
8 U.S.C. s. 80a-1 et seq., as amended from time to time,
9 provided that the portfolio of such investment company or
10 investment trust is limited to United States government
11 obligations and to repurchase agreements fully collateralized
12 by such United States government obligations, and provided
13 further that any such investment company or investment trust
14 shall take delivery of such collateral either directly or
15 through an authorized custodian.

16 Section 7. This act shall take effect October 1, 1988.

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19 HOUSE SUMMARY

20 Provides for the investment of surplus public funds of
21 counties, county officers, and municipalities, and state
22 trust funds, in securities of, or other interests in,
23 certain open-end or closed-end management-type investment
24 companies or investment trusts registered under the
25 Investment Company Act of 1940. Provides that such
26 securities or interests may be pledged as security for
27 public deposits by banks or savings associations.

28 This publication was produced at an average cost of 1.12 cents
29 per single page in compliance with the Rules and for
30 the information of members of the Legislature and the public.

31

Senator Grant

This publication was produced at an average cost of 1.5 cents per page for the information of members of the Legislature and the public.

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A bill to be entitled
An act relating to investment in, or pledge of,
securities of or interests in certain
investment companies or investment trusts;
amending ss. 125.31, 166.261, 215.47, 219.075,
F.S.; providing for the investment of public
funds in securities of, or other interests in,
certain open-end or closed-end management type
investment companies or investment trusts
registered under the Investment Company Act of
1940; amending ss. 280.13, 280.14, F.S.;
providing that securities of, or other
interests in, certain open-end or closed-end
management type investment companies or
investment trusts registered under the
Investment Company Act of 1940 may be pledged
as security for public deposits by banks or
savings associations; amending s. 665.0701,
F.S.; providing that savings associations,
savings and loan associations, and building and
loan associations may invest, without
limitation, in securities of, or other
interests in, certain open-end or closed-end
management type investment companies or
investment trusts registered under the
Investment Company Act of 1940; providing an
effective date.

Be It Enacted by the Legislature of the State of Florida:

1 Section 1. Paragraph (f) is added to subsection (1) of
2 section 125.31, Florida Statutes, to read:

3 125.31 Investment of surplus public funds;
4 regulations.--

5 (1) Unless otherwise authorized by law or by
6 ordinance, the board of county commissioners shall, by
7 resolution to be adopted from time to time, invest and
8 reinvest any surplus public funds in its control or possession
9 in:

10 (f) Securities of, or other interests in, any open-end
11 or closed-end management type investment company or investment
12 trust registered under the Investment Company Act of 1940, 15
13 U.S.C. ss. 80a-1 et seq., as amended from time to time,
14 provided the portfolio of such investment company or
15 investment trust is limited to United States Government
16 obligations and to repurchase agreements fully collateralized
17 by such United States Government obligations and provided such
18 investment company or investment trust takes delivery of such
19 collateral either directly or through an authorized custodian.

20 Section 2. Paragraph (f) is added to subsection (1) of
21 section 166.261, Florida Statutes, to read:

22 166.261 Municipalities; investments.--

23 (1) Unless otherwise authorized by law or by
24 ordinance, the governing body of each municipality shall, by
25 resolution to be adopted from time to time, invest and
26 reinvest any surplus public funds in its control or possession
27 in:

28 (f) Securities of, or other interests in, any open-end
29 or closed-end management type investment company or investment
30 trust registered under the Investment Company Act of 1940, 15
31 U.S.C. ss. 80a-1 et seq., as amended from time to time,

1 provided the portfolio of such investment company or
2 investment trust is limited to United States Government
3 obligations and to repurchase agreements fully collateralized
4 by such United States Government obligations and provided such
5 investment company or investment trust takes delivery of such
6 collateral either directly or through an authorized custodian.

7 Section 3. Paragraph (o) is added to subsection (1) of
8 section 215.47, Florida Statutes, to read:

9 215.47 Investments; authorized securities.--Subject to
10 the limitations and conditions of the State Constitution or of
11 the trust agreement relating to a trust fund, moneys available
12 for investments under ss. 215.44-215.53 may be invested as
13 follows:

14 (1) Without limitation in:

15 (o) Securities of, or other interests in, any open-end
16 or closed-end management type investment company or investment
17 trust registered under the Investment Company Act of 1940, 15
18 U.S.C. ss. 80a-1 et seq., as amended from time to time,
19 provided the portfolio of such investment company or
20 investment trust is limited to United States Government
21 obligations and to repurchase agreements fully collateralized
22 by such United States Government obligations and provided such
23 investment company or investment trust takes delivery of such
24 collateral either directly or through an authorized custodian.

25 Section 4. Paragraph (a) of subsection (1) of section
26 219.075, Florida Statutes, is amended to read:

27 219.075 Investment of surplus funds by county
28 officers.--

29 (1)(a) Except when another procedure is prescribed by
30 law or by ordinance as to particular funds, a tax collector or
31 any other county officer having, receiving, or collecting any

1 money, either for his office or on behalf of and subject to
2 subsequent distribution to another officer of state or local
3 government, while such money is surplus to current needs of
4 his office or is pending distribution, shall invest such
5 money, without limitation, in:

6 1. The Local Government Surplus Funds Trust Fund, as
7 created by s. 218.405;

8 2. Bonds, notes, or other obligations of the United
9 States guaranteed by the United States or for which the credit
10 of the United States is pledged for the payment of the
11 principal and interest or dividends; ~~or~~

12 3. Interest-bearing time deposits or savings accounts
13 in banks organized under the laws of this state, in national
14 banks organized under the laws of the United States and doing
15 business and situated in this state, in savings and loan
16 associations which are under state supervision, or in federal
17 savings and loan associations located in this state and
18 organized under federal law and federal supervision, provided
19 that any such deposits are secured by collateral as may be
20 prescribed by law; or

21 4. Securities of, or other interests in, any open-end
22 or closed-end management type investment company or investment
23 trust registered under the Investment Company Act of 1940, 15
24 U.S.C. ss. 80a-1 et seq., as amended from time to time,
25 provided the portfolio of such investment company or
26 investment trust is limited to United States Government
27 obligations and to repurchase agreements fully collateralized
28 by such United States Government obligations and provided such
29 investment company or investment trust takes delivery of such
30 collateral either directly or through an authorized custodian.
31

1 Section 5. Paragraph (p) is added to subsection (1) of
2 section 280.13, Florida Statutes, to read:

3 280.13 Collateral eligible for pledge by banks.--

4 (1) Securities eligible to be pledged as collateral by
5 banks shall be limited to:

6 (p) Securities of, or other interests in, any open-end
7 or closed-end management type investment company or investment
8 trust registered under the Investment Company Act of 1940, 15
9 U.S.C. ss. 80a-1 et seq., as amended from time to time,
10 provided the portfolio of such investment company or
11 investment trust is limited to United States Government
12 obligations and to repurchase agreements fully collateralized
13 by such United States Government obligations and provided such
14 investment company or investment trust takes delivery of such
15 collateral either directly or through an authorized custodian.

16 Section 6. Paragraph (q) is added to subsection (1) of
17 section 280.14, Florida Statutes, to read:

18 280.14 Collateral eligible for pledge by savings
19 associations.--

20 (1) Securities eligible to be pledged as collateral by
21 savings associations shall be limited to:

22 (q) Securities of, or other interests in, any open-end
23 or closed-end management type investment company or investment
24 trust registered under the Investment Company Act of 1940, 15
25 U.S.C. ss. 80a-1 et seq., as amended from time to time,
26 provided the portfolio of such investment company or
27 investment trust is limited to United States Government
28 obligations and to repurchase agreements fully collateralized
29 by such United States Government obligations and provided such
30 investment company or investment trust takes delivery of such
31

1 collateral either directly or through an authorized custodian.

2 Section 7. Paragraph (n) is added to subsection (1) of
3 section 665.0701, Florida Statutes, to read:

4 665.0701 Investment powers and limitations.--An
5 association may invest its funds subject to the following
6 definitions, restrictions, and limitations:

7 (1) INVESTMENTS NOT SUBJECT TO LIMITATION.--There is
8 no limitation, with respect to the total assets of the
9 investing association, on the following investments:

10 (n) Securities of, or other interests in, any open-end
11 or closed-end management type investment company or investment
12 trust registered under the Investment Company Act of 1940, 15
13 U.S.C. ss. 80a-1 et seq., as amended from time to time,
14 provided the portfolio of such investment company or
15 investment trust is limited to United States Government
16 obligations and to repurchase agreements fully collateralized
17 by such United States Government obligations and provided such
18 investment company or investment trust takes delivery of such
19 collateral either directly or through an authorized custodian.

20 Section 8. This act shall take effect October 1, 1988.

21
22 SENATE SUMMARY

23 Authorizes a board of county commissioners, a county
24 officer, the governing body of a municipality, and the
25 State Board of Administration to invest public funds that
26 are available for investment in securities of, or other
27 interests in, open-end or closed-end management type
28 investment companies or investment trusts registered
29 under the Investment Company Act of 1940, provided the
30 portfolio of such company or trust is limited to United
31 States Government obligations and to repurchase
agreements fully collateralized by such obligations and
provided such company or trust takes delivery of such
collateral either directly or through an authorized
custodian. Also provides that such securities of, or
interests in, such companies or trusts may be pledged by
banks and savings associations as security for public
deposits. Further provides that savings associations,
including savings and loan associations and building and
loan associations, may invest in such securities or
interests, without limitation.

By Representative Ascherl

1 A bill to be entitled
2 An act relating to local government financial
3 matters; amending ss. 125.31, 166.261, and
4 218.345, F.S.; revising requirements relating
5 to safekeeping of securities purchased on
6 behalf of counties, municipalities, and special
7 districts pursuant to provisions authorizing
8 investment of surplus public funds; providing
9 an effective date.

10

11 Be It Enacted by the Legislature of the State of Florida:

12

13 Section 1. Paragraph (a) of subsection (2) of section
14 125.31, Florida Statutes, is amended to read:15 125.31 Investment of surplus public funds;
16 regulations.--

17 (2)(a) Every security purchased on behalf of the board
18 under this section shall be properly earmarked and, if
19 physically issued to the holder but not registered with the
20 issuer, or its agents, shall immediately be placed for
21 safekeeping in a safety-deposit box in a financial institution
22 carrying adequate safety-deposit box insurance within the
23 State of Florida, or if registered with the issuer or its
24 agents, then in a location which adequately protects the
25 government's interest in the security, or if in book entry
26 form, then held for the credit of the board by any depository
27 chartered by the United States Government or the State of
28 Florida or their designated agents in such a manner that these
9 securities will be kept separate and apart from the assets of
30 such a financial institution. Every-security-purchased-by-any
31 such-board-under-the-authority-of-this-law-shall-be-properly

1 ~~earmarked-and-immediately-placed-for-safekeeping-in-a-safety-~~
2 ~~deposit-box-in-some-bank-or-institution-carrying-adequate~~
3 ~~safety-deposit-box-insurance-within-such-county,-and-no~~
4 ~~withdrawal-of-such-securities-in-whole-or-in-part-shall-be~~
5 ~~made-from-such-safety-deposit-box-except-upon-authority~~
6 ~~evidenced-by-resolution-of-the-board-of-county-commissioners~~
7 ~~of-such-county.~~

8 Section 2. Paragraph (a) of subsection (2) of section
9 166.261, Florida Statutes, is amended to read:

10 166.261 Municipalities; investments.--

11 (2)(a) Every security purchased on behalf of the
12 governing body under this section shall be properly earned
13 and, if physically issued to the holder but not registered
14 with the issuer, or its agents, shall immediately be placed
15 for safekeeping in a safety-deposit box in a financial
16 institution carrying adequate safety-deposit box insurance
17 within the State of Florida, or if registered with the issuer
18 or its agents, then in a location which adequately protects
19 the government's interest in the security, or if in book entry
20 form, then held for the credit of the governing body by any
21 depository chartered by the United States Government or the
22 State of Florida or their designated agents in such a manner
23 that these securities will be kept separate and apart from the
24 assets of such a financial institution. Every security
25 ~~purchased-by-any-such-governing-body-under-this-section-shall~~
26 ~~be-properly-earmarked-and-immediately-placed-for-safekeeping~~
27 ~~in-a-safety-deposit-box-in-a-bank-or-institution-carrying~~
28 ~~adequate-safety-deposit-box-insurance-within-the-county-in~~
29 ~~which-the-municipality-is-situated,-and-no-withdrawal-of-such~~
30 ~~securities,-in-whole-or-in-part,-shall-be-made-from-such~~
31

1 ~~safety-deposit-box-except-upon-authority-evidenced-by~~
2 ~~resolution-of-the-governing-body-of-the-municipality:~~

3 Section 3. Paragraph (a) of subsection (2) of section
4 218.345, Florida Statutes, is amended to read:

5 218 345 Special districts; investments.--

6 (2)(a) Every security purchased on behalf of the
7 governing body under this section shall be properly earmarked
8 and, if physically issued to the holder but not registered
9 with the issuer, or its agents, shall immediately be placed
10 for safekeeping in a safety-deposit box in a financial
11 institution carrying adequate safety-deposit box insurance
12 within the State of Florida, or if registered with the issuer
13 or its agents, then in a location which adequately protects
14 the government's interest in the security, or if in book entry
15 form, then held for the credit of the governing body by any
16 depository chartered by the United States Government or the
17 State of Florida or their designated agents in such a manner
18 that these securities will be kept separate and apart from the
19 assets of such a financial institution. All securities
20 ~~purchased-by-any-such-governing-body-under-this-section-shall~~
21 ~~be-properly-earmarked-and-immediately-placed-for-safekeeping~~
22 ~~in-a-safety-deposit-box-in-a-bank-or-institution-carrying~~
23 ~~adequate-safety-deposit-box-insurance-within-the-district-and~~
24 ~~no-withdrawal-of-such-securities-in-whole-or-in-part-shall-be~~
25 ~~made-from-such-safety-deposit-box-except-upon-authority~~
26 ~~evidenced-by-resolution-of-the-governing-body-of-the-district.~~

27 Section 4. This act shall take effect October 1, 1988.

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HOUSE SUMMARY

Revises requirements relating to safekeeping of securities purchased on behalf of counties, municipalities, and special districts pursuant to provisions authorizing investment of surplus public funds.

This publication was produced at an average cost of 1.12 cents per single page in compliance with the Rules and for the information of members of the Legislature and the public.

SENATE COMMITTEE AMENDMENT

SB 821

No. 3
(reported favorably)

HB _____

The Committee on...Gov. Operations....recommended the following amendment which was moved by Senator.....and adopted: and failed:

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Senate Amendment

In title, on page1....., line ...13...., strike or closed-end

If amendment is text from another bill insert:

Bill No.	Draft No.	With Changes?	No - Yes

and-insert:

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SENATE COMMITTEE AMENDMENT

SB 821

No. 2
(reported favorably)

HB _____

The Committee on...Gov. Operations....recommended the following amendment which was moved by Senator.....and adopted: and failed:

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Senate Amendment

On page5....., lines ..5 & 22.,

before the word "Securities"

If amendment is text from another bill insert:

Bill No.	Draft No.	With Changes?	No Yes

insert:

The Treasurer may, in his discretion, allow

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SENATE COMMITTEE AMENDMENT

SB 821

No. 1
(reported favorably)

HB _____

The Committee on...Gov. Operations....recommended the following
amendment which was moved by Senator.....and adopted:
and failed:

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Senate Amendment

On page5....., lines ..7 & 23., strike
or closed-end

If amendment is text from another bill insert:

Bill No.	Draft No.	With Changes?	No	Yes
			-	

and-insert:

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CODING: Words stricken are deletions; words underlined are additions.

* Amendment No. 1, taken up by committee: 05/03/88 Adopted X *
* Offered by Senator McPherson Failed _ *

(Amendment No. ____ Adopted ____ Failed ____ Date __/__/__)

BILL VOTE SHEET

(VS-88: File with Secretary of Senate)

BILL NO. SB 821

COMMITTEE ON: Governmental Operations

DATE: May 3, 1988

ACTION:

TIME: 2:00 p.m. - 5:00 p.m.

Favorably with 3 amendments

Favorably with Committee Substitute

PLACE: Room H, Senate Office Building

Unfavorably

OTHER COMMITTEE REFERENCES:
(in order shown)

Submitted as a Committee Bill

Finance, Taxation, and Claims

Temporarily Passed

Reconsidered

Not Considered

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THE VOTE WAS:

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FINAL BILL VOTE		SENATORS	05/03/88 #1 by McPherson		05/03/88 #2 by McPherson		05/03/88 #3 by McPherson (Title)		Ave	Nay	Ave	Nay
Ave	Nay		Ave	Nay	Ave	Nay	Ave	Nay				
X		Brown										
X		Johnson										
X		Marqolis										
		McPherson										
		Scott										
		VICE-CHAIRMAN										
		Jenne										
X		CHAIRMAN										
		Kiser										
4	0	TOTAL	W/O	-	W/O	-	W/O	-				
Ave	Nay		Ave	Nay	Ave	Nay	Ave	Nay	Ave	Nay	Ave	Nay

Please Complete: The Key sponsor appeared (X)
 A Senator appeared ()
 Sponsor's aide appeared ()
 Other appearance ()

Florida Information Associates
Florida Legislature
Staff Analyses
1988 Sessions

LAWS OF FLORIDA CHAPTER NO.

88-0171

PRIME BILL NUMBER

88/S0419 *

TYPE OF BILL

general

SPONSOR

Brown

PRIME BILL TITLE (short title)

Local Government Securities / Safekeeping

SIMILAR/IDENTICAL BILL SUBSTITUTED BY PRIME BILL: 88/H1384

DOCUMENTATION REPRODUCED

Analysis

PRIME SENATE COMMITTEE: Economic Community & Consumer Affairs ()

FINAL SENATE COMMITTEE: Finance Taxation & Claims (X)

PRIME HOUSE COMMITTEE: n/a ()

FINAL HOUSE COMMITTEE: n/a ()

SUBSTITUTED BILL: (88/H1384) (X)

OTHER: ()

NOTE: Consult the Final Legislative Bill Information (from Joint Legislative Management Committee, Division of Legislative Information, 1988) for more detailed bill history data. If prime bill number above is followed by an asterisk (*), it was amended on the floor, and the staff analysis for that bill may not be in accordance with the enacted law. The analyses reproduced here were supplied by the appropriate committee, who is solely responsible for their accuracy and completeness.

ADDITIONAL INFORMATION:

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

<u>ANALYST</u>	<u>STAFF DIRECTOR</u>	<u>REFERENCE</u>	<u>ACTION</u>
1. <u>Bradley <i>AB</i></u>	<u>Buck <i>DB</i></u>	1. <u>ECCA</u>	_____
2. _____	_____	2. <u>FTC</u>	_____
3. _____	_____	3. _____	_____
4. _____	_____	4. _____	_____

SUBJECT:

The Investment of County and Municipal Funds

BILL NO. AND SPONSOR:

SB 419 by Senator Brown

I. SUMMARY:

A. Present Situation:

Sections 125.31 and 166.261, F.S., establish virtually identical provisions for the investment of surplus public funds by counties and municipalities. As used in these sections, the term "surplus funds" means funds in any general or special account of the county or municipality, held or controlled by the county commission or governing body, which funds are not expected to be needed for their intended purpose within a reasonable time from the date of their investment. Unless otherwise authorized by law or ordinance, such funds may be invested in the Local Government Surplus Funds Trust Fund; interest-bearing time deposits or savings accounts in banks and savings and loan associations located in Florida; obligations of the federal farm credit banks, the Federal Home Loan Mortgage Corporation, Federal Home Loan Bank, the Government National Mortgage Association, and the Federal National Mortgage Association. Every security purchased by a local government must be placed for safekeeping in a safety-deposit box in a bank or institution which carries adequate safety-deposit box insurance and is located within the county. The governing body may also receive bank trust receipts in return for investment of surplus funds in securities, which receipts must enumerate the securities held and contain the specific number of each security.

Advances in electronic technology have altered the way in which securities transactions are conducted to the extent that most transactions today consist of wire entries for registered securities. Since the ownership of the securities is registered and since the securities may not be issued as paper documents which must be safeguarded, local government compliance with the provisions of current law is usually unnecessary or impossible.

B. Effect of Proposed Changes:

The proposed bill would conform requirements for local government safekeeping of securities by making the placement of securities in a safety-deposit box an option rather than a requirement. In addition, local governments could store registered securities in a location adequate to protect the governing body's interest in the security. If in book entry form, the securities must be held for the credit of the governing body by a state or federally chartered depository in a separate account.

The provisions are scheduled to take effect October 1, 1988.

II. ECONOMIC IMPACT AND FISCAL NOTE:

A. Public:

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None.

B. Government:

To the extent that local governments are able to avoid unnecessary rental fees for safe deposit boxes and avoid audit problems due to noncompliance with obsolete provisions, taxpayers' funds will be saved.

III. COMMENTS:

No comparable proposal has been filed in the House of Representatives.

IV. AMENDMENTS:

None.

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

	<u>ANALYST</u>	<u>STAFF DIRECTOR</u>	<u>REFERENCE</u>	<u>ACTION</u>
1.	Bradley <i>ARB</i>	Buck <i>DB</i>	1. <u>ECCA</u>	<u>FAV/CS</u>
2.	_____	_____	2. <u>FTC</u>	_____
3.	_____	_____	3. _____	_____
4.	_____	_____	4. _____	_____

SUBJECT:

The Investment of County and Municipal Funds

BILL NO. AND SPONSOR:

CS/SB 419 by ECCA and Senator Brown

I. SUMMARY:

A. Present Situation:

Sections 125.31 and 166.261, F.S., establish virtually identical provisions for the investment of surplus public funds by counties and municipalities. As used in these sections, the term "surplus funds" means funds in any general or special account of the county or municipality, held or controlled by the county commission or governing body, which funds are not expected to be needed for their intended purpose within a reasonable time from the date of their investment. Unless otherwise authorized by law or ordinance, such funds may be invested in the Local Government Surplus Funds Trust Fund; interest-bearing time deposits or savings accounts in banks and savings and loan associations located in Florida; obligations of the federal farm credit banks, the Federal Home Loan Mortgage Corporation, Federal Home Loan Bank, the Government National Mortgage Association, and the Federal National Mortgage Association. Every security purchased by a local government must be placed for safekeeping in a safety-deposit box in a bank or institution which carries adequate safety-deposit box insurance and is located within the county. The governing body may also receive bank trust receipts in return for investment of surplus funds in securities, which receipts must enumerate the securities held and contain the specific number of each security.

Advances in electronic technology have altered the way in which securities transactions are conducted to the extent that most transactions today consist of wire entries for registered securities. Since the ownership of the securities is registered and since the securities may not be issued as paper documents which must be safeguarded, local government compliance with the provisions of current law is usually unnecessary or impossible.

B. Effect of Proposed Changes:

The proposed bill would update requirements for the safekeeping of securities by local governments by authorizing 3 different options for safeguarding the securities depending on the manner in which they were issued. Local governments could store registered securities in a location adequate to protect the governing body's interest in the security. If in book entry form, the securities must be held for the credit of the governing body by a state or federally chartered depository in an account separate and apart from the assets of the financial institution. If physically issued to the holder, but not registered with the issuer or its agents, the securities must be immediately placed in a safety-deposit box.

The provisions are scheduled to take effect October 1, 1988.

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II. ECONOMIC IMPACT AND FISCAL NOTE:

A. Public:

None.

B. Government:

To the extent that local governments are able to avoid unnecessary rental fees for safe deposit boxes and avoid audit problems due to noncompliance with obsolete provisions, taxpayers' funds will be saved.

III. COMMENTS:

A similar proposal has been filed by Representative Ascherl as HB 1384. This measure applies the same provisions for the storage of securities to special districts, in addition to counties and municipalities.

IV. AMENDMENTS:

None.

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

<u>ANALYST</u>	<u>STAFF DIRECTOR</u>	<u>REFERENCE</u>	<u>ACTION</u>
1. <u>Bradley</u>	<u>Buck</u>	1. <u>ECCA</u>	<u>FAV/CS</u>
2. <u>Boyle</u>	<u>Beggs</u>	2. <u>FTC</u>	<u>Favorable</u>
3. _____	_____	3. _____	_____
4. _____	_____	4. _____	_____

SUBJECT:

The Investment of County
and Municipal Surplus Funds

BILL NO. AND SPONSOR:

SB 419 by
Senator Brown and ECCA

I. SUMMARY:

A. Present Situation:

Sections 125.31 and 166.261, F.S., are virtually identical provisions for the investment of surplus public funds of counties and municipalities. "Surplus funds" are those not expected to be needed for their intended purpose within a reasonable time from the date of their investment. These sections specify in which securities surplus funds may be invested. Every security purchased by a local government must be placed for safekeeping in a safety-deposit box in a bank or institution which carries adequate safety-deposit box insurance and is located within the county and may not be withdrawn except by resolution by the county or municipality.

Advances in electronic technology have altered the way in which securities transactions are conducted to the extent that most transactions today consist of wire entries for registered securities. Since the ownership of the securities is registered and since the securities may not be issued as paper documents which must be safeguarded, local government compliance with the provisions of current law is usually unnecessary or impossible.

B. Effect of Proposed Changes:

In addition to requiring holding unregistered securities a safety deposit tax, the bill requires local governments to store registered securities in a location adequate to protect the governing body's interest in the security or, if the security was issued electronically in book entry form, it must be held for the credit of the governing body by a state or federally chartered depository in an account separate and apart from the assets of the financial institution.

The bill deletes the prohibition against withdrawing securities except by resolution by the county or municipality.

II. ECONOMIC IMPACT AND FISCAL NOTE:

A. Public:

None.

B. Government:

Local: Local governments may more efficiently administer the investment of their surplus funds. Local governments will also be able to avoid unnecessary rental fees for safe deposit boxes and avoid audit problems due to noncompliance with obsolete provisions.

State: None.

III. COMMENTS:

A similar proposal has been filed by Representative Ascherl as HB 1384. This measure applies the same provisions for the storage of securities to special districts, in addition to counties and municipalities.

IV. AMENDMENTS:

None.

STORAGE NAME: h1384a.ca
Date: May 11, 1988

HOUSE OF REPRESENTATIVES
COMMITTEE ON COMMUNITY AFFAIRS
STAFF ANALYSIS & ECONOMIC IMPACT STATEMENT

HB 1384

BILL #: HB 1384

RELATING TO: Local Governments/Safekeeping of Securities

SPONSOR(S): Rep. Ascherl

EFFECTIVE DATE: October 1, 1988

COMPANION BILL(S): CS/SB 419

OTHER COMMITTEES OF REFERENCE: (1) Finance and Taxation

(2) _____

I. SUMMARY:

HB 1384 expands statutory provisions governing the safekeeping of securities by cities, counties, and special districts to allow for safekeeping by means other than placement in a safety deposit box.

A. PRESENT SITUATION:

Under ss. 125.31, 166.261, and 218.345, F.S., securities purchased by the governing body of a city, county, or special district must be "immediately placed for safekeeping in a safety-deposit box in a bank or financial institution." With certain types of securities, this is not possible; with others, it is unnecessary and involves added expense:

- "Book entry form" securities involve computer transactions; there is nothing for the governing body to store.
- Registered securities can only be transferred through a change in registration with the issuer. Possession of the physical document alone is worthless.

Local governing bodies have, of necessity, been out of compliance with the law. A change in the law is needed to bring the law into conformance with modern financial management practices.

B. EFFECT OF PROPOSED CHANGES:

HB 1384 expands the laws governing the safekeeping of securities by local governments to allow for safekeeping as follows:

1. For unregistered securities "physically issued to the holder," placement in a safety-deposit box is required.
2. For registered securities, placement "in a location which adequately protects the government's interest" is sufficient.

1219 MAY 19 1988

3. For book entry form securities (like computer transactions), the depository must keep the securities "separate and apart from the assets" of the financial institution.

C. SECTION-BY-SECTION ANALYSIS:

Section 1. Expands safekeeping requirements for securities purchased by counties.

Section 2. Expands safekeeping requirements for securities purchased by cities.

Section 3. Expands safekeeping requirements for securities purchased by special districts.

Section 4. Provides an October 1, 1988, effective date.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring or First Year Start-Up Effects:

None.

2. Recurring or Annualized Continuation Effects:

None.

3. Long Run Effects Other Than Normal Growth:

None.

4. Appropriations Consequences:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring or First Year Start-Up Effects:

None.

2. Recurring or Annualized Continuation Effects:

Minimal. Where safety-deposit fees were paid to store registered securities, these fees might be saved in future.

3. Long Run Effects Other Than Normal Growth:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

Minimal. Where local governing bodies have been paying safety-deposit fees to store registered securities, depositories might lose these fees in future.

2. Direct Private Sector Benefits:

None.

3. Effects on Competition, Private Enterprise, and Employment Markets:

None.

D. FISCAL COMMENTS:

None.

III. LONG RANGE CONSEQUENCES:

None.

IV. COMMENTS:

CS/SB 419, by the Senate ECCA Committee and Senator Brown, is substantively identical to HB 1384 insofar as both bills apply to cities and counties, but the language in the Senate bill is clearer and a few minor technical problems in the House language are corrected. (CS/SB 419 doesn't address special districts.)

V. AMENDMENTS:

At the request of the sponsor, three technical amendments were adopted to substitute the Senate's technically clearer amendatory language for provisions affecting cities and counties and to delete language which addresses the problem for special districts.

VI. SIGNATURES:

SUBSTANTIVE COMMITTEE:

Prepared by:

Sharon K. Lowe
Sharon K. Lowe

Staff Director:

Mario L. Taylor
Mario L. Taylor

FINANCE & TAXATION:

Prepared by:

Staff Director:

APPROPRIATIONS:

Prepared by:

Staff Director:

STORAGE NAME: h1384-f.ca
Date: July 6, 1988

HOUSE OF REPRESENTATIVES
COMMITTEE ON COMMUNITY AFFAIRS
FINAL STAFF ANALYSIS & ECONOMIC IMPACT STATEMENT

BILL #: HB 1384 (CS/SB 419, ss. 1, 2 & 10)

RELATING TO: Safekeeping of Securities

SPONSOR(S): Rep. Ascherl

EFFECTIVE DATE: October 1, 1988

DATE BECAME LAW: July 1, 1988

CHAPTER #: 88-171, Laws of Florida

COMPANION BILL(S): CS/SB 419

OTHER COMMITTEES OF REFERENCE: (1) Finance and Taxation
(2) _____

I. SUMMARY:

HB 1384 was taken up on May 26, 1988, by the House of Representatives and amended to include the provisions of HB 1164, by Rep. Wallace. This made the bill identical to CS/SB 419, which was then taken up in lieu of HB 1384, amended, and passed by a vote of 116 to 0. On May 30, the Senate concurred in three amendments, but requested the House to recede from two amendments. On May 31, the House receded from the two amendments and passed CS/SB 419 by a vote of 116 to 0. The bill was signed into law by the Governor on July 1, 1988, and became chapter 88-171, Laws of Florida.

Sections 1, 2, and 10 of the act (which include the substance of HB 1384) expand statutory provisions governing the safekeeping of securities by cities and counties to allow for safekeeping by means other than placement in a safety deposit box.

A. PRESENT SITUATION:

Under ss. 125.31 and 166.261, F.S., securities purchased by the governing body of a city or county must be "immediately placed for safekeeping in a safety-deposit box in a bank or financial institution." With certain securities, this is not possible; with others, it is unnecessary and involves added expense:

- "Book entry form" securities generally involve computer transactions; there is nothing for the governing body to place in a safety deposit box.

- Securities which are "registered with the issuer or its agents" can only be transferred through a change in registration with the issuer. Possession of the physical document alone is meaningless.

Local governing bodies have, of necessity, been out of compliance with the law. A change in the law was needed to bring the law into conformance with modern financial management practices.

B. EFFECT OF PROPOSED CHANGES:

Effective October 1, 1988, sections 1, 2, and 10 of the act (former HB 1384) expand statutory provisions governing the safekeeping of securities by cities and counties to allow for safekeeping as follows:

1. For unregistered securities "physically issued to the holder," placement in a safety-deposit box is required.
2. For registered securities, placement "in a location which adequately protects the government's interest" is sufficient.
3. For book entry form securities (like computer transactions), the depository must keep the securities "separate and apart from the assets" of the financial institution.

C. SECTION-BY-SECTION ANALYSIS (relevant sections of CS/SB 419):

Section 1. Expands safekeeping requirements for securities purchased by counties.

Section 2. Expands safekeeping requirements for securities purchased by cities.

Section 10. Provides an October 1, 1988, effective date.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring or First Year Start-Up Effects:

None.

2. Recurring or Annualized Continuation Effects:

None.

3. Long Run Effects Other Than Normal Growth:

None.

4. Appropriations Consequences:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring or First Year Start-Up Effects:

None.

2. Recurring or Annualized Continuation Effects:

Minimal. Where local governing bodies have been paying safety-deposit fees to store registered securities, they might save these fees in future.

3. Long Run Effects Other Than Normal Growth:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

Minimal. Where local governing bodies pay safety-deposit fees to store registered securities, depositories might lose these fees in future.

2. Direct Private Sector Benefits:

None.

3. Effects on Competition, Private Enterprise, and Employment Markets:

None.

D. FISCAL COMMENTS:

None.

III. LONG RANGE CONSEQUENCES:

None.

IV. COMMENTS:

It should be noted that a similar law relating to the safekeeping of securities by special districts may be found in s. 218.345, F.S. (CS/SB 419 doesn't address special districts.)

V. SIGNATURES:

SUBSTANTIVE COMMITTEE:

Prepared by:

Sharon K. Lowe

Sharon K. Lowe

Staff Director:

Mario L. Taylor

Mario L. Taylor

FINANCE & TAXATION:

Prepared by:

Staff Director:

APPROPRIATIONS:

Prepared by:

Staff Director:

STORAGE NAME: hl384.gsa
Date: May 1, 1988

HOUSE OF REPRESENTATIVES
COMMITTEE ON COMMUNITY AFFAIRS
STAFF ANALYSIS & ECONOMIC IMPACT STATEMENT

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BILL #: HB 1384
RELATING TO: Local Governments/Safekeeping of Securities
SPONSOR(S): Rep. Ascherl
EFFECTIVE DATE: October 1, 1988
COMPANION BILL(S): CS/SB 419
OTHER COMMITTEES OF REFERENCE: (1) Finance and Taxation
(2) _____

I. SUMMARY:

HB 1384 expands statutory provisions governing the safekeeping of securities by cities, counties, and special districts to allow for safekeeping by means other than placement in a safety deposit box.

A. PRESENT SITUATION:

Under ss. 125.31, 166.261, and 218.345, F.S., securities purchased by the governing body of a city, county, or special district must be "immediately placed for safekeeping in a safety-deposit box in a bank or financial institution." With certain types of securities, this is not possible; with others, it is unnecessary and involves added expense:

- "Book entry form" securities generally involve computer transactions; there is nothing for the governing body to place in a safety deposit box.
- Securities which are "registered with the issuer or its agents" can only be transferred through a change in registration with the issuer. Possession of the physical document alone is worthless.

Local governing bodies have, of necessity, been out of compliance with the law. A change in the law is needed to bring the law into conformance with modern financial management practices.

B. EFFECT OF PROPOSED CHANGES:

HB 1384 expands statutory provisions governing the safekeeping of securities by cities, counties, and special districts to allow for safekeeping as follows:

1. For unregistered securities "physically issued to the holder," placement in a safety-deposit box is required.

2. For registered securities, placement "in a location which adequately protects the government's interest" is sufficient.
3. For book entry form securities (like computer transactions), the depository must keep the securities "separate and apart from the assets" of the financial institution.

C. SECTION-BY-SECTION ANALYSIS:

Section 1. Expands safekeeping requirements for securities purchased by counties.

Section 2. Expands safekeeping requirements for securities purchased by cities.

Section 3. Expands safekeeping requirements for securities purchased by special districts.

Section 4. Provides an October 1, 1988, effective date.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring or First Year Start-Up Effects:

None.

2. Recurring or Annualized Continuation Effects:

None.

3. Long Run Effects Other Than Normal Growth:

None.

4. Appropriations Consequences:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring or First Year Start-Up Effects:

None.

2. Recurring or Annualized Continuation Effects:

Minimal. Where local governing bodies have been paying safety-deposit fees to store registered securities, they might save these fees in future.

3. Long Run Effects Other Than Normal Growth:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

Minimal. Where local governing bodies have been paying safety-deposit fees to store registered securities, depositories might lose these fees in future.

2. Direct Private Sector Benefits:

None.

3. Effects on Competition, Private Enterprise, and Employment Markets:

None.

D. FISCAL COMMENTS:

None.

III. LONG RANGE CONSEQUENCES:

None.

IV. COMMENTS:

CS/SB 419, by the Senate ECCA Committee and Senator Brown, is substantively identical to HB 1384 insofar as both bills apply to cities and counties, but the language in the Senate bill is clearer and a few minor technical problems in the House language are corrected. (CS/SB 419 doesn't address special districts.)

V. AMENDMENTS:

At the request of the sponsor, three technical amendments will be offered to substitute the Senate's technically clearer amendatory language. [Note, however, that the two bills will still be different from each other, as the House version addresses the problem for special districts, while the Senate version does not.]

VI. SIGNATURES:

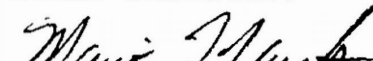
SUBSTANTIVE COMMITTEE:

Prepared by:



Sharon K. Lowe

Staff Director:



Mario L. Taylor

FINANCE & TAXATION:

Prepared by:

Staff Director:

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Bill #: HB 1384
Date: May 1, 1988

APPROPRIATIONS:
Prepared by:

Staff Director:

STORAGE NAME: h1164.gsa
Date: May 1, 1988

COPY

HOUSE OF REPRESENTATIVES
COMMITTEE ON COMMUNITY AFFAIRS
STAFF ANALYSIS & ECONOMIC IMPACT STATEMENT

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DEPARTMENT OF STATE
R. A. GRAY BUILDING
Tallahassee, FL 32399-0250

BILL #: HB 1164
RELATING TO: Investment of Surplus Public Funds
SPONSOR(S): Rep. Wallace
EFFECTIVE DATE: October 1, 1988
COMPANION BILL(S): SB 821
OTHER COMMITTEES OF REFERENCE: (1) Finance and Taxation
(2) Appropriations

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I. SUMMARY:

Expands provisions of law relating to allowable investments of surplus public funds held by counties, cities, the State Board of Administration, and county officers, and relating to securities eligible for pledge as collateral by banks and savings and loan associations, to allow investment in certain mutual funds and to allow pledging of such investments as collateral.

A. PRESENT SITUATION:

Several years ago, the U.S. Comptroller of the Currency took the position that federal banks in their fiduciary capacity could not invest in mutual funds, even when they consisted entirely of low-risk U.S. government obligations which, under law, could be purchased separately and individually, unless state law specifically authorized such investments by a trustee.

Since that time, numerous states have amended their banking laws to clarify these provisions. In Florida, banks and trust companies were authorized to invest in mutual funds consisting entirely of low-risk U.S. government obligations in 1985 under sections 37 and 40 of chapter 85-82, Laws of Florida.

U.S. government obligations consist primarily of Treasury bills, notes, and bonds. Treasury bills are issued in five denominations, from \$10,000 to \$1 million, and are issued weekly in 3, 6, 9, and 12 month maturities. Treasury notes and bonds are available in lower amounts, but have longer maturities. Consequently, while investment in these obligations is the safest investment around, investing in Treasury bills, notes, and bonds separately (as the law now allows) involves a certain amount of "red tape" and may not be for everyone because of price limitations and lack of liquidity.

By contrast, investment in a mutual fund consisting entirely of U.S. government obligations involves a risk which is equally low, but has far fewer limitations as to time of purchase, amount of investment, or liquidity.

B. EFFECT OF PROPOSED CHANGES:

Expands provisions of law relating to allowable investments of surplus public funds held by counties, cities, the State Board of Administration, and county officers, and relating to securities eligible for pledge as collateral by banks and savings and loan associations, to allow investment in certain mutual funds and to allow pledging of such investments as collateral, as follows:

1. Under ss. 125.31(1)(b) and 166.261(1)(b), F.S., counties and municipalities may now invest surplus funds in "Negotiable direct obligations of, or obligations the principal and interest of which are unconditionally guaranteed by, the United States Government...." HB 1384 would also allow cities and counties to invest in mutual funds consisting entirely of such obligations.
2. Under s. 215.47(1)(a), F.S., the State Board of Administration may now invest surplus state funds in "bonds, notes, or other obligations of the United States or those guaranteed by the United States or for which the credit of the United States is pledged for the payment of the principal and interest or dividends thereof." HB 1384 would also allow the State Board of Administration to invest in mutual funds consisting entirely of such obligations.
3. Under s. 219.075(1)(a)2., F.S., county officers may now invest surplus funds in "bonds, notes, or other obligations of the United States guaranteed by the United States or for which the credit of the United States is pledged for the payment of the principal and interest or dividends...." HB 1384 would also allow county officers to invest in mutual funds consisting entirely of such obligations.
4. Under ss. 280.13(1)(a) and 280.14(1)(a), F.S., banks and savings and loan associations are now authorized to pledge as collateral "obligations of the United States." HB 1384 would allow such institutions to pledge as collateral investments in mutual funds consisting entirely of such obligations.

C. SECTION-BY-SECTION ANALYSIS:

- Section 1. Amends s. 125.31(1)(d) and (e), F.S., and adds paragraph (f) thereto, to authorize counties to invest surplus county funds in certain mutual funds.
- Section 2. Amends s. 166.261(1)(d) and (e), F.S., and adds paragraph (f) thereto, to authorize municipalities to invest surplus city funds in certain mutual funds.
- Section 3. Adds paragraph (o) to s. 215.47(1), F.S., to

authorize the State Board of Administration to invest surplus state funds in certain mutual funds.

Section 4. Amends s. 219.075(1(a), F.S., to authorize county officers to invest surplus funds in certain mutual funds.

Section 5. Adds paragraph (p) to s. 280.13(1), F.S., to allow banks to pledge mutual fund investments as collateral.

Section 6. Adds paragraph (q) to s. 280.14(1), F.S., to allow savings and loan associations to pledge mutual fund investments as collateral.

Section 7. Provides an October 1, 1988, effective date.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring or First Year Start-Up Effects:

None.

2. Recurring or Annualized Continuation Effects:

Indeterminable. The bill is strictly discretionary. Greater investment flexibility and return should result.

3. Long Run Effects Other Than Normal Growth:

None.

4. Appropriations Consequences:

Indeterminable.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring or First Year Start-Up Effects:

None.

2. Recurring or Annualized Continuation Effects:

Indeterminable. The bill is strictly discretionary. Greater investment flexibility and return should be provided.

3. Long Run Effects Other Than Normal Growth:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

None.

2. Direct Private Sector Benefits:

Banks, brokerage houses, and investment companies offering interest in mutual funds consisting entirely of government obligations could benefit by market expansion. Banks and savings associations could now pledge such investments as collateral. (Banks have been authorized to make such investments since 1985, and can now pledge all other authorized investments as collateral.)

3. Effects on Competition, Private Enterprise, and Employment Markets:

None.

D. FISCAL COMMENTS:

None.

III. LONG RANGE CONSEQUENCES:

None.

IV. COMMENTS:

Savings associations are authorized to pledge such investments as collateral under section 6 of the bill. However, these associations are not authorized under present law to make such investments. SB 821 (the Senate companion) includes a section amending s. 665.0701, F.S., to allow such investment by savings associations, savings and loan associations, and building and loan associations.

V. AMENDMENTS:

At the request of the sponsor, an amendment will be offered to authorize savings associations, savings and loan associations, and building and loan associations to invest in certain mutual funds. [See section IV., Comments, above.]

VI. SIGNATURES:

SUBSTANTIVE COMMITTEE:

Prepared by:

Sharon K. Lowe
Sharon K. Lowe

Staff Director:

Mario L. Taylor
Mario L. Taylor

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Bill #: HB 1164

Date: May 1, 1988

FINANCE & TAXATION:

Prepared by:

Staff Director:

APPROPRIATIONS:

Prepared by:

Staff Director:

STORAGE NAME: h1164a.ca
Date: May 11, 1988

HOUSE OF REPRESENTATIVES
COMMITTEE ON COMMUNITY AFFAIRS
STAFF ANALYSIS & ECONOMIC IMPACT STATEMENT

HB 1164

BILL #: HB 1164

RELATING TO: Investment of Surplus Public Funds

SPONSOR(S): Rep. Wallace

EFFECTIVE DATE: October 1, 1988

COMPANION BILL(S): SB 821

OTHER COMMITTEES OF REFERENCE: (1) Finance and Taxation

(2) Appropriations

I. SUMMARY:

Expands provisions of law relating to allowable investments of surplus public funds held by counties, cities, the State Board of Administration, and county officers, and relating to securities eligible for pledge as collateral by banks and savings and loan associations, to allow investment in certain mutual funds and to allow pledging of such investments as collateral.

A. PRESENT SITUATION:

Several years ago, the U.S. Comptroller of the Currency took the position that federal banks in their fiduciary capacity could not invest in mutual funds, even when they consisted entirely of low-risk U.S. government obligations which, under law, could be purchased separately and individually, unless state law specifically authorized such investments by a trustee.

Since that time, numerous states have amended their banking laws to clarify these provisions. In Florida, banks and trust companies were authorized to invest in mutual funds consisting entirely of low-risk U.S. government obligations in 1985 under sections 37 and 40 of chapter 85-82, Laws of Florida.

U.S. government obligations consist primarily of Treasury bills, notes, and bonds. Treasury bills are issued in five denominations, from \$10,000 to \$1 million, and are issued weekly in 3, 6, 9, and 12 month maturities. Treasury notes and bonds are available in lower amounts, but have longer maturities. Consequently, while investment in these obligations is the safest investment around, investing in Treasury bills, notes, and bonds separately (as the law now allows) involves a certain amount of "red tape" and may not be for everyone because of price limitations and lack of liquidity.

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By contrast, investment in a mutual fund consisting entirely of U.S. government obligations involves a risk which is equally low, but has far fewer limitations as to time of purchase, amount of investment, or liquidity.

B. EFFECT OF PROPOSED CHANGES:

Expands provisions of law relating to allowable investments of surplus public funds held by counties, cities, the State Board of Administration, and county officers, and relating to securities eligible for pledge as collateral by banks and savings and loan associations, to allow investment in certain mutual funds and to allow pledging of such investments as collateral, as follows:

1. Under ss. 125.31(1)(b) and 166.261(1)(b), F.S., counties and municipalities may now invest surplus funds in "Negotiable direct obligations of, or obligations the principal and interest of which are unconditionally guaranteed by, the United States Government...." HB 1384 would also allow cities and counties to invest in mutual funds consisting entirely of such obligations.
2. Under s. 215.47(1)(a), F.S., the State Board of Administration may now invest surplus state funds in "bonds, notes, or other obligations of the United States or those guaranteed by the United States or for which the credit of the United States is pledged for the payment of the principal and interest or dividends thereof." HB 1384 would also allow the State Board of Administration to invest in mutual funds consisting entirely of such obligations.
3. Under s. 219.075(1)(a)2., F.S., county officers may now invest surplus funds in "bonds, notes, or other obligations of the United States guaranteed by the United States or for which the credit of the United States is pledged for the payment of the principal and interest or dividends...." HB 1384 would also allow county officers to invest in mutual funds consisting entirely of such obligations.
4. Under ss. 280.13(1)(a) and 280.14(1)(a), F.S., banks and savings and loan associations are now authorized to pledge as collateral "obligations of the United States." HB 1384 would allow such institutions to pledge as collateral investments in mutual funds consisting entirely of such obligations.

C. SECTION-BY-SECTION ANALYSIS:

Section 1. Amends s. 125.31(1)(d) and (e), F.S., and adds paragraph (f) thereto, to authorize counties to invest surplus county funds in certain mutual funds.

Section 2. Amends s. 166.261(1)(d) and (e), F.S., and adds paragraph (f) thereto, to authorize municipalities to invest surplus city funds in certain mutual funds.

Section 3. Adds paragraph (o) to s. 215.47(1), F.S., to

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authorize the State Board of Administration to invest surplus state funds in certain mutual funds.

- Section 4. Amends s. 219.075(1(a), F.S., to authorize county officers to invest surplus funds in certain mutual funds.
- Section 5. Adds paragraph (p) to s. 280.13(1), F.S., to allow banks to pledge mutual fund investments as collateral.
- Section 6. Adds paragraph (q) to s. 280.14(1), F.S., to allow savings and loan associations to pledge mutual fund investments as collateral.
- Section 7. Provides an October 1, 1988, effective date.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring or First Year Start-Up Effects:

None.

2. Recurring or Annualized Continuation Effects:

Indeterminable. The bill is strictly discretionary. Greater investment flexibility and return should result.

3. Long Run Effects Other Than Normal Growth:

None.

4. Appropriations Consequences:

Indeterminable.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring or First Year Start-Up Effects:

None.

2. Recurring or Annualized Continuation Effects:

Indeterminable. The bill is strictly discretionary. Greater investment flexibility and return should be provided.

3. Long Run Effects Other Than Normal Growth:

None.

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C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

None.

2. Direct Private Sector Benefits:

Banks, brokerage houses, and investment companies offering interest in mutual funds consisting entirely of government obligations could benefit by market expansion. Banks and savings associations could now pledge such investments as collateral. (Banks have been authorized to make such investments since 1985, and can now pledge all other authorized investments as collateral.)

3. Effects on Competition, Private Enterprise, and Employment Markets:

None.

D. FISCAL COMMENTS:

None.

III. LONG RANGE CONSEQUENCES:

None.

IV. COMMENTS:

Savings associations are authorized to pledge such investments as collateral under section 6 of the bill. However, these associations are not authorized under present law to make such investments. SB 821 (the Senate companion) includes a section amending s. 665.0701, F.S., to allow such investment by savings associations, savings and loan associations, and building and loan associations. [See AMENDMENTS section below.]

V. AMENDMENTS:

At the request of the sponsor, two amendments were adopted to authorize savings associations, savings and loan associations, and building and loan associations to invest in certain mutual funds. [See section IV., Comments, above.]

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VI. SIGNATURES:

SUBSTANTIVE COMMITTEE:

Prepared by:

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Sharon K. Lowe

Staff Director:

Marlo L. Taylor
Marlo L. Taylor

FINANCE & TAXATION:

Prepared by:

Staff Director:

APPROPRIATIONS:

Prepared by:

Staff Director:

STORAGE NAME: h1164-f.ca
Date: July 6, 1988

HOUSE OF REPRESENTATIVES
COMMITTEE ON COMMUNITY AFFAIRS
FINAL STAFF ANALYSIS & ECONOMIC IMPACT STATEMENT

BILL #: HB 1164 (CS/SB 419, ss. 3-10)

RELATING TO: Investment of Surplus Public Funds

SPONSOR(S): Rep. Wallace

EFFECTIVE DATE: October 1, 1988

DATE BECAME LAW: July 1, 1988

CHAPTER #: 88-171, Laws of Florida

COMPANION BILL(S): CS/SB 419 and SB 821

OTHER COMMITTEES OF REFERENCE: (1) Finance and Taxation
(2) Appropriations

I. SUMMARY:

HB 1384 by Rep. Ascherl was taken up on May 26, 1988, by the House of Representatives and was amended to include the provisions of HB 1164. This made the bill identical to CS/SB 419, which was then taken up in lieu of HB 1384, amended, and passed by a vote of 116 to 0. On May 30, the Senate concurred in three amendments, but requested the House to recede from two amendments. On May 31, the House receded from the two amendments and passed CS/SB 419 by a vote of 116 to 0. The bill was signed into law by the Governor on July 1, 1988, and became chapter 88-171, Laws of Florida.

The bulk of the act expands provisions of law relating to allowable investments of surplus public funds held by counties, cities, the State Board of Administration, and county officers, relating to allowable investments of savings and loan associations, and relating to securities eligible for pledge as collateral by banks and savings and loan associations, to allow investment in certain mutual funds and to allow pledging of such investments as collateral.

A. PRESENT SITUATION:

Several years ago, the U.S. Comptroller of the Currency took the position that federal banks in their fiduciary capacity could not invest in mutual funds, even when they consisted entirely of low-risk U.S. government obligations which, under law, could be purchased separately and individually, unless state law specifically authorized such investments by a trustee.

Since that time, numerous states have amended their banking laws to clarify these provisions. In Florida, banks and trust companies were authorized to invest in mutual funds consisting entirely of low-risk U.S. government obligations in 1985 under sections 37 and 40 of chapter 85-82, Laws of Florida.

U.S. government obligations consist primarily of Treasury bills, notes, and bonds. Treasury bills are issued in five denominations, from \$10,000 to \$1 million, and are issued weekly in 3, 6, 9, and 12 month maturities. Treasury notes and bonds are available in lower amounts, but have longer maturities. Consequently, while investment in these obligations is the safest investment around, investing in Treasury bills, notes, and bonds separately (as the law now allows) involves a certain amount of "red tape" and may not be for everyone because of price limitations and lack of liquidity.

By contrast, investment in a mutual fund consisting entirely of U.S. government obligations involves a risk which is equally low, but has far fewer limitations as to time of purchase, amount of investment, or liquidity.

B. EFFECT OF PROPOSED CHANGES:

Effective October 1, 1988, sections 3-10 of CS/SB 419 (former HB 1164) expand provisions of law relating to allowable investments of funds held by counties, cities, the State Board of Administration, county officers, and savings and loan associations, and relating to securities eligible for pledge as collateral by banks and savings and loan associations, to allow investment in certain mutual funds and to allow pledging of such investments as collateral, as follows:

1. Under ss. 125.31(1)(b) and 166.261(1)(b), F.S., counties and municipalities may now invest surplus funds in "Negotiable direct obligations of, or obligations the principal and interest of which are unconditionally guaranteed by, the United States Government...." This act will also allow cities and counties to invest in mutual funds consisting entirely of such obligations.
2. Under s. 215.47(1)(a), F.S., the State Board of Administration may now invest surplus state funds in "bonds, notes, or other obligations of the United States or those guaranteed by the United States or for which the credit of the United States is pledged for the payment of the principal and interest or dividends thereof." This act will also allow the State Board of Administration to invest in mutual funds consisting entirely of such obligations.
3. Under s. 219.075(1)(a)2., F.S., county officers may now invest surplus funds in "bonds, notes, or other obligations of the United States guaranteed by the United States or for which the credit of the United States is pledged for the

payment of the principal and interest or dividends...."
This act will also allow county officers to invest in mutual funds consisting entirely of such obligations.

4. Under ss. 280.13(1)(a) and 280.14(1)(a), F.S., banks and savings and loan associations are now authorized to pledge as collateral "obligations of the United States." This act will allow such institutions, in the discretion of the Treasurer, to pledge as collateral investments in mutual funds consisting entirely of such obligations.
5. Under s. 665.0701(1), F.S., savings associations, savings and loan associations, and building and loan associations are now authorized to invest in certain government-backed obligations. Under this act, these associations will also be allowed to invest in mutual funds consisting entirely of such obligations.

C. SECTION-BY-SECTION ANALYSIS (CS/SB 419, ss. 3-10):

- Section 3. Adds paragraph (f) to s. 125.31(1), F.S., to authorize counties to invest surplus county funds in certain mutual funds.
- Section 4. Adds paragraph (f) to s. 166.261(1), F.S., to authorize municipalities to invest surplus city funds in certain mutual funds.
- Section 5. Adds paragraph (o) to s. 215.47(1), F.S., to authorize the State Board of Administration to invest surplus state funds in certain mutual funds.
- Section 6. Amends s. 219.075(1)(a), F.S., to authorize county officers to invest their surplus funds in certain mutual funds.
- Section 7. Adds paragraph (p) to s. 280.13(1), F.S., to allow banks, in the discretion of the Treasurer, to pledge certain mutual fund investments as collateral.
- Section 8. Adds paragraph (q) to s. 280.14(1), F.S., to allow savings associations, in the discretion of the Treasurer, to pledge certain mutual fund investments as collateral.
- Section 9. Adds paragraph (n) to s. 665.0701(1), F.S., to allow savings associations, savings and loan associations, and building and loan associations to invest their surplus funds in certain mutual funds.
- Section 10. Provides an October 1, 1988, effective date.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring or First Year Start-Up Effects:

None.

2. Recurring or Annualized Continuation Effects:

Indeterminable. The act is strictly discretionary. Greater investment flexibility and return should result.

3. Long Run Effects Other Than Normal Growth:

None.

4. Appropriations Consequences:

Indeterminable.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring or First Year Start-Up Effects:

None.

2. Recurring or Annualized Continuation Effects:

Indeterminable. The act is strictly discretionary. Greater investment flexibility and return should be provided.

3. Long Run Effects Other Than Normal Growth:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

None.

2. Direct Private Sector Benefits:

Banks, brokerage houses, and investment companies offering interest in mutual funds consisting entirely of government obligations could benefit by market expansion. Savings associations could now invest in such funds (banks were authorized to make such investments in 1985) and banks and savings associations could now pledge such investments as collateral.

3. Effects on Competition, Private Enterprise, and Employment Markets:

None.

D. FISCAL COMMENTS:

None.

III. LONG RANGE CONSEQUENCES:

None.

IV. COMMENTS:

None.

V. SIGNATURES:

SUBSTANTIVE COMMITTEE:

Prepared by:

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Staff Director:

Mario L. Taylor

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APPROPRIATIONS:

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