1988

Session Law 88-171

Florida Senate & House of Representatives

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### COMMITTEE RECORDS

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### Senate/House Journals

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### Committee/Floor Tapes

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### Other Documentation

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

Section 166.261 Municipalities: investments.--

(2)(a) Every security purchased by any such governing body under this section on behalf of the governing body of a municipality 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 bank or institution in this state that maintains carrying adequate safety-deposit box insurance within the county in which the municipality is situated, 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 governing body of the municipality.

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

SENATE SUMMARY

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

CODING: Words stricken are deletions; words underlined are additions.
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 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 an account separate and apart from
the assets of the financial institution; or
3. If physically issued to the holder, but not
registered with the issuer or its agents, shall be immediately
placed for safekeeping in a safety-deposit box in a financial
institution in another state that maintains carrying
adequate safety-deposit box insurance with the such county; and
no-withdrawal-of-such-securities-in-whole-or-in-part-shall-be
made-from-such-safety-deposit-box-except-upon-authority

CODING: Words stricken are deletions; words underlined are additions.
Section 2. Paragraph (a) of subsection (2) of section 166.261, Florida Statutes, is amended to read:

166.261 Municipalities; investments.—

(2)(a) Every security purchased by any such governing body under this section on behalf of the governing body of a municipality 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 municipality by a depository chartered by either the Federal Government or the state and shall be kept by the depository in an account separate and apart from the assets of the financial institution; or

3. If physically issued to the holder, but not registered with the issuer or its agents, shall be immediately placed for safekeeping in a safety-deposit box in a financial bank or institution in this state that maintains carrying adequate safety-deposit box insurance within the county in which the municipality is situated; 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 governing body of the municipality.

Section 3. This act shall take effect October 1, 1988.
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.
A bill to be entitled
An act relating to public funds: amending ss. 125.31, 166.261, 215.47, and 219.075, F.S.; providing for the investment of surplus public funds of counties, county officers, and municipalities, and state trust 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 and 280.14, F.S.; providing that such securities or interests may be pledged as security for public deposits by banks or savings associations; providing an effective date.

Be it enacted by the Legislature of the State of Florida:

Section 1. Paragraphs (d) and (e) of subsection (1) of section 125.31, Florida Statutes, are amended, and paragraph (f) is added to said subsection, to read:
125.31 Investment of surplus public funds;
regulations.--
(1) Unless otherwise authorized by law or by ordinance, the board of county commissioners shall, by resolution to be adopted from time to time, invest and reinvest any surplus public funds in its control or possession in:
(d) Obligations of the federal farm credit banks; the Federal Home Loan Mortgage Corporation, including Federal Home Loan Mortgage Corporation participation certificates; or the

CODING: Words struck are deletions; words underlined are additions.
Federal Home Loan Bank or its district banks or obligations
guaranteed by the Government National Mortgage Association; or
(e) Obligations of the Federal National Mortgage
Association, including Federal National Mortgage Association
participation certificates and mortgage pass-through
certificates guaranteed by the Federal National Mortgage
Association; or

(f) Securities of, or other interests in, any open-end
or closed-end management-type investment company or investment
trust registered under the Investment Company Act of 1940, U.S.C.
subsection (1) of section 166.261, Florida Statutes, are amended, and paragraph
(f) is added to said subsection, to read:

166.261 Municipalities; investments.--
(1) Unless otherwise authorized by law or by
ordinance, the governing body of each municipality shall, by
resolution to be adopted from time to time, invest and
reinvest any surplus public funds in its control or possession in:

(d) Obligations of the Federal farms credit banks; the
Federal Home Loan Mortgage Corporation, including Federal Home
Loan Mortgage Corporation participation certificates; or the
Federal Home Loan Bank or its district banks or obligations

guaranteed by the Government National Mortgage Association; or

(e) Obligations of the Federal National Mortgage

Association, including Federal National Mortgage Association

participation certificates and mortgage pass-through

certificates guaranteed by the Federal National Mortgage

Association; or

(f) Securities of, or other interests in, any open-end

or closed-end management-type investment company or investment

trust registered under the Investment Company Act of 1940, 15

U.S.C. s. 80a-1 et seq. as amended from time to time,

provided that the portfolio of such investment company or

investment trust is limited to United States government

obligations and to repurchase agreements fully collateralized

by such United States government obligations, and provided

further that any such investment company or investment trust

shall take delivery of such collateral either directly or

through an authorized custodian.

Section 3. Paragraph (o) is added to subsection (1) of

section 215.47, Florida Statutes, to read:

215.47 Investments; authorized securities.--Subject to

the limitations and conditions of the State Constitution or of

the trust agreement relating to a trust fund, moneys available

for investments under ss. 215.44-215.53 may be invested as

follows:

(1) Without limitation in:

(o) Securities of, or other interests in, any open-end

or closed-end management-type investment company or investment

trust registered under the Investment Company Act of 1940, 15

U.S.C. s. 80a-1 et seq. as amended from time to time,

provided that the portfolio of such investment company or

CODING: Words striken are deletions; words underlined are additions.
Section 4. Paragraph (a) of subsection (1) of section 219.075, Florida Statutes, is amended to read,

219.075 Investment of surplus funds by county officers.--

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

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

2. 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; or

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

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

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

280.13 Collateral eligible for pledge by banks.--
(1) Securities eligible to be pledged as collateral by
banks shall be limited to:

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

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

CODING: Words struck are deletions; words underlined are additions.
280.14 Collateral eligible for pledge by savings associations.--

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

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

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

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HOUSE SUMMARY

Provides for the investment of surplus public funds of counties, county officers, and municipalities, and state trust 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. Provides that such securities or interests may be pledged as security for public deposits by banks or savings associations.

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.

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

CODING: Words stricken are deletions; words underlined are additions.
Section 1. Paragraph (f) is added to subsection (1) of section 125.31, Florida Statutes, to read:

125.31 Investment of surplus public funds; regulations.—

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

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

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

166.261 Municipalities; investments.—

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

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

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

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

(1) Without limitation in:

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

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

219.075 Investment of surplus funds by county officers.--

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

1. The Local Government Surplus Funds Trust Fund, as
created by s. 218.405;
2. 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; or
3. Interest-bearing time deposits or savings accounts
in banks organized under the laws of this state, in national
banks organized under the laws of the United States and doing
business and situated in this state, in savings and loan
associations which are under state supervision, or in federal
savings and loan associations located in this state and
organized under federal law and federal supervision, provided
that any such deposits are secured by collateral as may be
prescribed by law; or

4. Securities of, or other interests in, any open-end
or closed-end management type investment company or investment
trust registered under the Investment Company Act of 1940, 15
U.S.C. ss. 80a-1 et seq., as amended from time to time,
provided the portfolio of such investment company or
investment trust is limited to United States Government
obligations and to repurchase agreements fully collateralized
by such United States Government obligations and provided such
investment company or investment trust takes delivery of such
collateral either directly or through an authorized custodian.
Section 5. Paragraph (p) is added to subsection (1) of section 280.13, Florida Statutes, to read:

280.13 Collateral eligible for pledge by banks.--
(1) Securities eligible to be pledged as collateral by banks shall be limited to:

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

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

280.14 Collateral eligible for pledge by savings associations.--
(1) Securities eligible to be pledged as collateral by savings associations shall be limited to:

(q) Securities of, or other interests in, any open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C. ss. 80a-1 et seq., as amended from time to time, provided the portfolio of such investment company or investment trust is limited to United States Government obligations and to repurchase agreements fully collateralized by such United States Government obligations and provided such investment company or investment trust takes delivery of such collateral.
Section 7. Paragraph (n) is added to subsection (l) of section 665.0701, Florida Statutes, to read:

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

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

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

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

SENATE SUMMARY

Authorizes a board of county commissioners, a county officer, the governing body of a municipality, and the State Board of Administration to invest public funds that are available for investment in securities of, or other interests in, open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, provided the portfolio of such company or trust is limited to United 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.
A bill to be entitled
An act relating to local government financial matters; amending ss. 125.31, 166.261, and
218.345, F.S.; revising requirements relating
to safekeeping of securities purchased on
behalf of counties, municipalities, and special
districts pursuant to provisions authorizing
investment of surplus public funds; 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 on behalf of the board
under this section shall be properly earmarked and, if
physically issued to the holder but not registered with the
issuer, or its agents, shall immediately be placed for
safekeeping in a safety-deposit box in a financial institution
carrying adequate safety-deposit box insurance within the
State of Florida, or if registered with the issuer or its
agents, then in a location which adequately protects the
government's interest in the security, or if in book entry
form, then held for the credit of the board by any depository
chartered by the United States Government or the State of
Florida or their designated agents in such a manner that these
securities will be kept separate and apart from the assets of
such a financial institution. Every security purchased by any
such board under the authority of this law shall be properly

CODING: Words stricken are deletions; words underlined are additions.
Section 2. Paragraph (a) of subsection (2) of section 166.261, Florida Statutes, is amended to read:

166.261 Municipalities; investments.--

(2)(a) Every security purchased on behalf of the governing body under this section shall be properly earmarked and immediately placed for safekeeping in a safety-deposit box in a financial institution carrying adequate safety-deposit box insurance within the State of Florida, or if registered with the issuer or its agents, then in a location which adequately protects the government's interest in the security, or if in book entry form, then held for the credit of the governing body by any depository chartered by the United States Government or the State of Florida or their designated agents in such a manner that these securities will be kept separate and apart from the assets of such a financial institution. Every security purchased by any such governing body under this section shall be properly earmarked and immediately placed for safekeeping in a safety-deposit box in a bank or institution carrying adequate safety-deposit box insurance within the county in which the municipality is situated, and no withdrawal of such securities in whole or in part shall be made from such

CODING: Words struck through are deletions; words underlined are additions.
Florida House of Representatives - 1988
75-88-3-6

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

218.345 Special districts; investments.--

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

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

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

CODING: Words stricken are deletions; words underlined are additions.
SENATE COMMITTEE AMENDMENT

SB 821

HB

No. 3

(-reported favorably)

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

and failed:

Senate Amendment

In title, on page ....1...., line ...13...., strike or closed-end

If amendment is text from another bill insert:

No

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

and-insert:

***************

Amendment No. 3, taken up by committee: 05/03/88 Adopted X *
* Offered by Senator McPherson Failed - *

(Amendment No. ___ Adopted ___ Failed ___ Date ___/___/___)
SENATE COMMITTEE AMENDMENT

SB 821

HB ___

No. 2

(reported favorably)

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

and failed:

Senate Amendment

On page ....5....., lines ..5 & 22.,

before the word "Securities"

If amendment is text from another bill insert:

Bill No. Draft No. With Changes? Yes

insert:

The Treasurer may, in his discretion, allow

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

* Amendment No. 2, taken up by committee: 05/03/88 Adopted X
* Offered by Senator McPherson Failed *

(Amendment No. ___ Adopted ___ Failed ___ Date __/__/___)
The Committee on Gov. Operations recommended the following amendment which was moved by Senator and adopted:

Senate Amendment

On page 5, lines 7 & 23, strike or closed-end

If amendment is text from another bill insert:

Bill No. Draft No. With Changes? Yes

and insert:

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**

(YS-88: File with Secretary of Senate)  
**BILL NO. SB 821**

**COMMITTEE ON:** Governmental Operations  

**DATE:** May 3, 1988  
**TIME:** 2:00 p.m. - 5:00 p.m.  
**PLACE:** Room H, Senate Office Building

**OTHER COMMITTEE REFERENCES:**  
(in order shown)  
Finance, Taxation, and Claims

**THE VOTE WAS:**

**FINAL BILL VOTE**

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<td>CHAIRMAN Kiser</td>
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<th>PRIME BILL NUMBER</th>
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**PRIME BILL TITLE (short title)**

Local Government Securities / Safekeeping

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

**DOCUMENTATION REPRODUCED**

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**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:**
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:
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.
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.
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.
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.
HB 1384

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.
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:

   1220
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
Staff Director: Mario L. Taylor
FINANCE & TAXATION:
Prepared by: 
Staff Director: 

APPROPRIATIONS:
Prepared by: 
Staff Director: 

1221
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

FINANCE & TAXATION:
Prepared by:

APPROPRIATIONS:
Prepared by:

Staff Director:

Marie L. Taylor

Staff Director:

Staff Director:
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

**FINANCE & TAXATION:**

Prepared by:

**Staff Director:**

Mario L. Taylor
APPROPRIATIONS:
Prepared by:

Staff Director:
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

Staff Director:
Mario L. Taylor
HOUSE OF REPRESENTATIVES
COMMITTEE ON COMMUNITY AFFAIRS
STAFF ANALYSIS & ECONOMIC IMPACT STATEMENT

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.
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.

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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.]
VI. SIGNATURES:

SUBSTANTIVE COMMITTEE:
Prepared by:

Sharon K. Lowe

FINANCE & TAXATION:
Prepared by:

APPROPRIATIONS:
Prepared by:

Staff Director:

Staff Director:

Staff Director:
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: Sharon K. Lowe

FINANCE & TAXATION:
Prepared by: Staff Director: Mario L. Taylor

APPROPRIATIONS:
Prepared by: Staff Director: