

Subject Executive Branch Collateral

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Summary

Under current law, certain banks, trust companies, and credit unions may be designated as depositories to hold state funds. If this procedure were not used, the commissioner of management and budget would be singularly responsible for the safekeeping of the state treasury. A banking institution designated as a state depository is required to provide the commissioner of management and budget with a corporate security bond that secures any state assets that exceed the maximum deposit insurance coverage that applies to the state's assets. As an alternative to a security bond, a depository is permitted to secure the funds by providing appropriate collateral to the commissioner of management and budget, subject to the approval of the state's Executive Council.

This bill modifies and expands the types of collateral that the Executive Council may approve as sufficient to secure the state's funds, including requiring that certain types of bonds submitted as collateral meet minimum bond standard ratings.

The bill also would permit the collateral to be deposited in a restricted account at a Federal Reserve Bank or at certain other types of banks, with the approval of the commissioner of management and budget. Under current law, the collateral must be deposited directly with the commissioner.