ENGROSSED HOUSE
BILL NO. 2430

By: Askins of the House

and

Hobson of the Senate

An Act relating to the State Treasurer's office; amending 47 O.S. 1991, Sections 1-161, 7-216, 7-330, 7-331 and 8-104, which relate to financial responsibility and motor vehicles; modifying assets authorized as security for certain purpose; deleting requirement requiring custody of assets; requiring receipts for certain instruments or security; modifying procedures with respect to proof of financial responsibility; requiring Department of Public Safety to make deposits; requiring escrow; requiring acknowledgments from financial institutions; modifying reference; amending 62 O.S. 1991, Sections 41.16, as amended by Section 1, Chapter 301, O.S.L. 1997, 71, as amended by Section 1, Chapter 37, O.S.L. 1994, 72.4, 72.6, 88.5, as last amended by Section 1, Chapter 81, O.S.L. 1996, 90, as amended by Section 4, Chapter 219, O.S.L. 1996 and 516.2 (62 O.S. Supp. 1997, Sections 41.16, 71, 88.5 and 90), which relate to operations of the State Treasurer's office; modifying exemption from requirements related to encumbrance of funds; requiring adoption of certain procedures; defining term; authorizing agreements related to credit card processing

agreements; authorizing certain direct payment by state agencies; authorizing use of certain instruments for security of public deposits; requiring promulgation of rules regarding acceptance of certain instruments; providing for liquidation of collateral instruments for certain purposes; modifying provisions related to linked-deposits; authorizing certain renewals; prescribing period for renewal; providing for deposit of income from securities lending; modifying procedure regarding execution of certain certificates; providing an effective date; and declaring an emergency.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. AMENDATORY 47 O.S. 1991, Section 1-161, is amended to read as follows:

Section 1-161. Cash, ~~negotiable securities~~ certificates of deposit issued by financial institutions located within the state, or corporate security bond deposited with the Commissioner of Public Safety ~~and placed in the custody of the State Treasurer~~ to secure payment of a judgment or judgments arising out of a motor vehicle accident which occurred prior to the demand for posting of security.

SECTION 2. AMENDATORY 47 O.S. 1991, Section 7-216, is amended to read as follows:

Section 7-216. The Department shall place any negotiable security, or security issued in bearer form, deposited with it under this chapter in the custody of the State Treasurer. Receipts or other documents evidencing the existence of a security shall be retained by the Department.

SECTION 3. AMENDATORY 47 O.S. 1991, Section 7-330, is amended to read as follows:

Section 7-330. Proof of financial responsibility may be evidenced by the certificate of the ~~State Treasurer~~ Department of Public Safety that the person named therein has deposited with ~~him~~ the Department Thirty Thousand Dollars ($30,000.00) in cash, or ~~securities such as may legally be purchased by savings banks or for trust funds of a market value~~ a certificate of deposit issued by a financial institution located in Oklahoma in an amount of at least Thirty Thousand Dollars ($30,000.00). The Department shall deposit any cash it receives for this purpose in a special account of the Department which shall be held in escrow until necessary to pay judgments as described in Section 7-331 of this title. The Department shall obtain a written acknowledgment from any financial institution issuing a certificate of deposit which is used for the purpose of this section, showing the certificate of deposit has been pledged to the Department for this purpose. The ~~State Treasurer~~ Department shall not accept any such deposit and issue a certificate therefor and the Department shall not accept such certificate unless accompanied by evidence that there are no unsatisfied judgments of any character against the depositor in the county where the depositor resides.

SECTION 4. AMENDATORY 47 O.S. 1991, Section 7-331, is amended to read as follows:

Section 7-331. Such deposit shall be held by the ~~State Treasurer~~ the Department to satisfy, in accordance with the provisions of this chapter, any execution on a judgment issued against such a person making the deposit, for damages, including damages for care and loss of services, because of bodily injury to or death of any person, or for damages because of injury to or destruction of property, including the loss of use thereof, resulting from the ownership, maintenance, use or operation of a

vehicle of a type subject to registration under the laws of this state after such deposit was made. Money or securities so deposited shall not be subject to attachment or execution unless such attachment or execution shall arise out of a suit for damages as aforesaid.

SECTION 5. AMENDATORY 47 O.S. 1991, Section 8-104, is amended to read as follows:

Section 8-104. (a) Every person, firm or corporation engaged in the business of operating a taxicab or taxicabs within a municipality shall file with the governing board of the municipality in which such business is operated proof of financial responsibility as hereinafter defined.

No governing board of a municipality shall hereafter issue any certificate of convenience and necessity, franchise, license permit or other privilege or authority to any person, firm or corporation authorizing such person, firm or corporation to engage in the business of operating a taxicab or taxicabs within the municipality unless such person, firm or corporation first files with the governing board proof of financial responsibility as hereinafter defined.

Every person, firm or corporation engaging in the business of operating a taxicab or taxicabs without the corporate city limits of a municipality or municipalities shall file with the Department of Public Safety, Financial Responsibility Division, of the state, proof of financial responsibility as hereinafter defined.

No person, firm or corporation shall hereafter engage in the business of operating a taxicab or taxicabs without the corporate city limits of a municipality or municipalities in the state unless such person, firm or corporation first files with the Department of Public Safety proof of financial responsibility as hereinafter defined.

(b) As used in this section, proof of financial responsibility shall mean a certificate of any insurance carrier authorized to do business in the state certifying that there is in effect a policy of liability insurance insuring the owner and operator of the taxicab business, his agents and employees while in the performance of their duties against loss from any liability imposed by law for damages including damages for care and loss of services because of bodily injury to or death of any person and injury to or destruction of property caused by accident and arising out of the ownership, use or operation of such taxicab or taxicabs, subject to minimum limits, exclusive of interest and cost, with respect to each such motor vehicle as follows: Ten Thousand Dollars ($10,000.00) because of bodily injury to or death of one person in any one accident and, subject to said limit for one person, Twenty Thousand Dollars ($20,000.00) because of bodily injury to or death of two or more persons in any one accident, and Ten Thousand Dollars ($10,000.00) because of injury to or destruction of property of others in any one accident.

(c) For every person, firm or corporation who engages in the taxicab business without the corporate limits of a municipality or municipalities proof of financial responsibility may be evidenced by the bond of an insurance carrier duly authorized to do business within the state, or a bond with at least two individual sureties each owning real estate within this state, and together having equities equal in value to at least twice the amount of such bond, which real estate shall be conditioned for payment of the amounts specified in subsection (b) of this section. Such bond shall be filed with the Department of Public Safety and shall not be cancelable except after ten (10) days' written notice to the Commissioner. Such bond shall constitute a lien in favor of the state upon the real estate so scheduled of any surety, which lien shall exist in favor of any holder of a final judgment against the

person who has filed such bond, for damages, including damages for care and loss of services, because of bodily injury to or death of any person, or for damages because of injury to or destruction of property, including the loss of use thereof, resulting from the ownership, maintenance, use or operation of a motor vehicle after such bond was filed, upon the filing of notice to that effect by the Commissioner in the office of county clerk of the county where such real estate shall be located.

If such a judgment rendered against the principal on such bond shall not be satisfied within thirty (30) days after it has become final, the judgment creditor may, for his own use and benefit and at his sole expense, bring an action or actions in the name of the state against the company or persons executing such bond, including an action or proceeding to foreclose any lien that may exist upon the real estate of a person who has executed such bonds.

(d) 1. Proof of financial responsibility may be evidenced by the certificate of the ~~State Treasurer~~ Department that the person named therein has deposited with ~~him~~ the Department Thirty Thousand Dollars ($30,000.00) in cash or ~~securities such as may legally be purchased by savings banks or for trust funds of a market value~~ a certificate of deposit issued by a financial institution located in Oklahoma in an amount of at least Thirty Thousand Dollars ($30,000.00). The Department shall deposit any cash it receives for this purpose in a special account of the Department which shall be held in escrow until necessary to pay judgments as described in paragraph 2 of this subsection. The Department shall obtain a written acknowledgment from any financial institution issuing a certificate of deposit which is used for the purpose of this section, showing the certificate of deposit has been pledged to the Department for this purpose. The ~~State Treasurer~~ Department shall not accept any such deposit and issue a certificate therefor ~~and the Commissioner shall not accept such certificate~~ unless accompanied by

evidence that there are no unsatisfied judgments of any character against the depositor in the county where the depositor resides. The ~~Thirty Thousand Dollars ($30,000.00)~~ thirty-thousand-dollar deposit paid to the ~~State Treasurer~~ Department pursuant to this provision shall be per sole proprietor, firm or corporation engaged in the business of operating a taxicab or taxicabs.

2. Such deposit shall be held by the ~~State Treasurer~~ Department to satisfy, in accordance with the provisions of this act, any execution on a judgment issued against such person making the deposit, for damages, including damages for care and loss of services, because of bodily injury to or death of any person, or for damages because of injury to or destruction of property, including the loss of use thereof, resulting from the ownership, maintenance, use or operation of a motor vehicle after such deposit was made. Money or securities so deposited shall not be subject to attachment or execution unless such attachment or execution shall arise out of a suit for damages as aforesaid.

SECTION 6. AMENDATORY 62 O.S. 1991, Section 41.16, as amended by Section 1, Chapter 301, O.S.L. 1997 (62 O.S. Supp. 1997, Section 41.16), is amended to read as follows:

Section 41.16 Encumbrance requirements for payments from funds of the state shall include the following:

A. Whenever departments, institutions, boards, commissions or agencies of this state enter into contracts for, or on behalf of the state for the purchase of goods, wares or merchandise, or for construction of buildings, roads, bridges or any other thing for which labor and materials must be furnished by outside vendors, such agreement shall be evidenced by written contracts or purchase orders, and must be transmitted to the Director of State Finance within a reasonable time as determined by the Director of State Finance from the date of awarding of such contract or purchase order.

B. The Director of State Finance shall charge such contracts, purchase orders or agreements, against the proper appropriation allotment account as an outstanding order until it is liquidated by payment of a claim, or claims, against said contracts or purchase orders, or by cancellation.

C. The Director of State Finance shall have the authority, and is hereby given the power to authorize departments, institutions, boards, commissions or agencies of the state to make purchases not requiring the submission of competitive bids pursuant to Section 85.7 of Title 74 of the Oklahoma Statutes, or excluded from the purview of the Central Purchasing Act pursuant to Section ~~84.12~~ 85.12 of Title 74 of the Oklahoma Statutes, for or on behalf of the state whenever the Director of State Finance determines that the best interests of the state are served thereby. The administrative head of any agency shall be personally liable for obligations incurred in excess of the authorization granted by the Director of State Finance.

D. The Director of State Finance shall never authorize payment of claims for the purchase of goods, wares and merchandise, or claims for contractual services, for any agency of the state unless it is supported by (1) contracts or purchase orders of the State Board of Public Affairs, or (2) institutional purchase orders or contracts, or (3) departmental purchase orders or contracts, or (4) authorizations for purchases granted by the Director of State Finance as provided by subsection C of this section. Any invoice or claim dated prior to the date of any of the above-mentioned encumbrance documents shall be rejected by the Director of State Finance. Any encumbrance document that is outstanding on the records in the Office of State Finance for a period of one (1) year shall be canceled, encumbrances for capital outlay excepted.

~~E. Beginning October 1, 1997, the Commissioners of the Land Office, in connection with the payment of the custodial bank and~~

~~investment managers retained pursuant to Section 51 of Title 64 of the Oklahoma Statutes, shall be excluded from the requirements of this section.~~ The Commissioners of the Land Office shall be authorized to make payment of fees to its custodial bank and investment managers from the proceeds of total ~~investments,~~ realized investment gains and such payments may be made from ~~the accounts of the Commissioners of the Land Office at its custodial bank~~ a special fund hereby created in the State Treasury for this purpose. Total payments for this purpose in a fiscal year shall not exceed one-half percent (0.5%) of the market value of the funds under the Commissioners' management on June 30 of the previous fiscal year.

SECTION 7. AMENDATORY 62 O.S. 1991, Section 71, as amended by Section 1, Chapter 37, O.S.L. 1994 (62 O.S. Supp. 1997, Section 71), is amended to read as follows:

Section 71. A. The State Treasurer is authorized and directed to select a number of banks, savings banks or savings and loan associations and credit unions within the State of Oklahoma as depositories for all monies and funds coming into the hands of the State Treasurer as the official depository. Such banks, savings banks or savings and loan associations and credit unions shall be in good standing and conducting a regular banking business and shall collect such drafts, bills of exchange, and checks as may be deposited by the state in the regular course of business, and shall pay all checks and drafts legally authorized and duly drawn on the funds deposited in such banks, savings banks or savings and loan associations and credit unions.

B. At the request of state agencies or state institutions conducting operations or transacting state business outside the State of Oklahoma, the State Treasurer is hereby authorized to name and designate financial institutions located without the State of Oklahoma as official depositories of state monies and funds where it is shown to the satisfaction of the State Treasurer that the need

for such out-of-state depository is required for the orderly and expeditious deposit of monies and funds coming into the possession of the requesting state agency or state institution. For purposes of this section, the State Treasurer shall not designate any financial institution outside the United States for the deposit of public funds, monies, securities, or any other financial assets subject to the control of the State Treasurer. Any out-of-state financial institution designated as an official depository of the State Treasurer shall have a service agent in the State of Oklahoma so that service of summons or legal notice may be had on such designated agent as is now or may hereafter be provided by law. Before designating any financial institution outside the State of Oklahoma as an official depository, the State Treasurer shall, if the State Treasurer deems it necessary, require a bond to be given by such financial institution to the State of Oklahoma in double the amount of monies which said requesting state agency or institution anticipates will be the maximum amount of money or funds on deposit at any one time with said financial institution. Such bond will be approved by the State Treasurer and filed with the Secretary of State. Any out-of-state financial institution designated as an official depository shall in all respects conform to and comply with the provisions of this section, the Security for Public Deposits Act, and any and all laws pertaining to financial institutions receiving deposits of public monies or funds.

C. The State Treasurer shall ~~promulgate rules and regulations providing~~ establish procedures ~~and~~ which provide minimum standards for establishing and maintaining relationships between state entities and financial institutions. As used in this subsection, "financial institutions" means those institutions described in subsection E of this section, credit card processing companies and other companies which handle or process financial transactions. State agencies may enter into agreements with the State Treasurer to

participate in any credit card processing agreements entered into by the State Treasurer. Any state agency participating in such an agreement may pay the credit card vendor directly for any fees owed on transactions associated with that agency. The State Treasurer is authorized to prescribe formats and issue all state vouchers, warrants and checks drawn on state treasury funds. The State Treasurer may compensate financial institutions for services rendered to the state by direct fee charges or through compensating balances. Any financial institution receiving payment for services from the state through compensating balances shall file a report quarterly with the State Treasurer detailing the services rendered to the state and the charges for such services. Said charges shall not exceed those made for similar services to other customers of the financial institution. If the quarterly value of said compensating balance arrangement is above or below the quarterly charges for the services rendered to the state had service charges been separately billed, the difference in amount of the quarterly charges for the services rendered and the amount of the compensating balance shall be applied to the subsequent quarter. Any compensation arrangements made with financial institutions pursuant to this subsection shall not be subject to the provisions of the Oklahoma Central Purchasing Act.

D. Of the public funds in the hands of the State Treasurer, there shall not be deposited in any one of such banks, savings banks or savings and loan associations and credit unions an amount to exceed the combined amount of insured deposits plus approved legal securities pledged by such banks, savings banks or savings and loan associations and credit unions therefor. Such banks, savings banks or savings and loan associations and credit unions shall make quarterly reports of the amount deposited, checked out, or withdrawn and the balances on hand for the fiscal year.

E. All provisions of this title relating to depositories for public funds shall include, in addition to banks, all financial institutions of this state. As used in this subsection, "financial institutions" means banks, savings banks, savings and loan associations and credit unions in this state whose deposits are insured by the Federal Deposit Insurance Corporation, the National Credit Union Administration or any successor institutions.

SECTION 8. AMENDATORY 62 O.S. 1991, Section 72.4, is amended to read as follows:

Section 72.4 A. The State Treasurer shall require that financial institutions deposit collateral securities <u>or instruments</u> to secure the deposits of the state in each such institution. The amount of collateral securities <u>or instruments</u> to be pledged for the security of public deposits shall be established by rules and regulations promulgated by the State Treasurer consistent with the provisions of the Security for Public Deposits Act; provided, such amount shall not be less than the amount of the deposit to be secured, less the amount insured.

B. Upon authorization by the State Treasurer, a financial institution shall place required collateral securities in a restricted account at a Federal Reserve Bank which serves Oklahoma, a Federal Home Loan Bank which serves Oklahoma or with another financial institution located in this state that is not owned or controlled by the same institution or holding company. The depositor shall deliver to the State Treasurer a power of attorney authorizing the State Treasurer to transfer or liquidate the securities in the event of a default, financial failure or insolvency of a public depository.

C. Securities eligible for collateral shall be valued at market value. The State Treasurer shall review and determine the market value of collateral pledged for security not less than quarterly. The State Treasurer shall adopt rules and regulations to provide for

the valuation of collateral if the market value is not readily determinable. The State Treasurer shall prescribe forms for financial institutions to list collateral securities pursuant to this section.

D. The State Treasurer shall promulgate rules for the acceptance of collateral instruments described in Section 72.5 of this title, to secure deposits of the state. Such rules shall require that sufficient documentation exists to establish that the provider of the collateral instrument will protect the state in the event of a default, financial failure or insolvency of a public depository.

E. All securities purchased by the State Treasurer or held in custody for other state agencies by the State Treasurer shall be held in financial institutions as defined in Section 71 of this title not involved in such transactions and shall not be held by the State Treasurer or a broker.

SECTION 9. AMENDATORY 62 O.S. 1991, Section 72.6, is amended to read as follows:

Section 72.6 In the event of a default or insolvency of a public depository, the State Treasurer shall implement the following procedures:

1. In cooperation with the State Department of Banking and other regulatory officials, the State Treasurer shall ascertain the amount of public funds on deposit at the defaulting institution and the amount of deposit insurance applicable to such deposit.

2. The potential loss to the state shall be calculated by the State Treasurer. The loss to the state shall be satisfied, insofar as possible, first through any applicable deposit insurance and then through the sale of securities pledged, or through the proceeds of collateral instruments pledged, by the defaulting depository institution. Such sales shall be conducted by the State Treasurer.

3. The securities, bonds or other forms of collateral shall become forfeited to and become the property of the state. If the securities, bonds or other forms of collateral are valued at less than the amount of principal and interest due to the state plus the cost of the ensuing sale, the securities, bonds and other forms of collateral shall be sold by the State Treasurer, and the State Treasurer shall be entitled to recover from the financial institution such balances with costs and attorney's fees. If the market value of the securities, bonds or other forms of collateral exceeds the principal and interest due to the state plus the cost of the ensuing sale, the securities, bonds and other forms of collateral may be sold by the State Treasurer and the excess of the proceeds shall be returned to the pledging financial institution or its receiver, without further process of law.

SECTION 10. AMENDATORY 62 O.S. 1991, Section 88.5, as last amended by Section 1, Chapter 81, O.S.L. 1996 (62 O.S. Supp. 1997, Section 88.5), is amended to read as follows:

Section 88.5 A. The State Treasurer and the Department of Commerce are hereby authorized to disseminate information and to provide small business linked deposit loan packages to the lending institutions eligible for participation under this act.

B. The small business linked deposit loan package shall be completed by the borrower before being forwarded to the lending institution for consideration. Any technical assistance in completing such loan package shall be provided by the State Treasurer.

C. An eligible lending institution that desires to receive a small business linked deposit shall accept and review applications for loans from eligible participants. The lending institution shall apply all usual lending standards to determine the creditworthiness of each eligible participant. Loans under this act shall conform to the following conditions:

1. Maximum loan amounts under the Oklahoma Small Business Linked Deposit Act shall:

a. not exceed One Million Dollars ($1,000,000.00) for an eligible small business,

b. not exceed Six Million Dollars ($6,000,000.00) for an eligible industrial park or any public trust authorized in accordance with Section 176 of Title 60 of the Oklahoma Statutes engaged in industrial development as determined by the Oklahoma Linked Deposit Review Board. Such public trusts are limited to fifteen percent (15%) of the total available funds and a nonrenewable term not to exceed six (6) months unless their purpose is to make package passthrough loans to other private recipients for industrial development purposes. Loans made by an eligible trust cannot exceed the interest rate established by this act. Any recipient of a loan through an eligible trust must meet the criteria of this act to receive a small business linked deposit loan;

2. An eligible participant shall certify on the loan application that the reduced rate loan will be used exclusively to create new jobs or preserve existing jobs and employment opportunities in accordance with the purpose of this section;

3. Only one linked deposit loan shall be made and be outstanding at any time to any eligible participant; provided that the linked deposit loan may be refinanced;

4. No linked deposit loan shall be approved for any otherwise eligible participant when fifty percent (50%) or more of the interest in or control of such otherwise eligible participant is owned directly or indirectly by a person who owns directly or indirectly fifty percent (50%) or more of or controls another participating eligible participant;

5. No loan shall be made to any officer or director of the lending institution making the loan or to any entity in which any such officer or director maintains a controlling interest;

6. No loan shall be made to any employee of the State Treasurer's office or members of the Board or to any entity in which any such officer or director maintains a controlling interest;

7. The criteria for the amount of loans used for refinance shall be established by the Oklahoma Linked Deposit Review Board to reflect legislative intent to tighten previous criteria on refinancing;

8. The criteria for the amount of loans per job ratio shall be established by the Oklahoma Linked Deposit Review Board to reflect legislative intent to maximize the program in terms of the jobs created or saved;

9. Whoever knowingly makes a false statement concerning a linked deposit loan application shall be prohibited from entering into the linked deposit loan program; and

10. Linked deposits may be made for any maturity considered appropriate by the State Treasurer not to exceed two (2) years and may be renewed for up to an additional three renewals not to exceed two (2) years each at the discretion of the State Treasurer with the approval of the lending institution. No renewals will be allowed unless the amount of principal has been reduced by a minimum of five percent (5%) and all interest paid to date from the time of the prior loan or renewal. However, at renewal the Oklahoma Linked Deposit Review Board may approve an increase in the amount of principal, if the business is expanding and additional jobs will be created. An approval of such an increase in principal will not extend the maximum years of participation in the program. In addition, loans made to eligible participants where the loan is to be used within an enterprise zone may be made for the maturity date of three (3) years ~~and have another~~ <u>with two additional renewals.</u>

The first renewal may be for up to three (3) years ~~of~~ and the last renewal may be for up to two (2) years. Loans made to be used within Priority Enterprise Zones may be made with a maturity date of five (5) years and have another three (3) years of renewal. Interest shall be paid at the times determined by the State Treasurer. The State Treasurer may place a small business linked deposit with an eligible lending institution or decline to do so based on the cash flow needs of the state, the security of state funds, investment needs of the state and the ratio of state funds deposited to jobs which would be sustained or created.

D. In considering which eligible participants to include in the small business linked deposit loan package for reduced rate loans, the eligible lending institution shall give priority to the economic needs of the area in which the business is located and other factors it considers appropriate to determine the relative financial need of the business including those criteria set forth in the Community Reinvestment Act of the United States. Location in an enterprise zone shall be evidence of the economic needs of the area.

E. The eligible lending institution shall forward to the State Treasurer a small business linked deposit loan package in the form and manner prescribed and approved by the State Treasurer. The package shall include information regarding the amount of the loan requested by each eligible participant, the number of jobs to be created or sustained, an estimate of the number of zone residents to be employed in such jobs where the loan is to be used in an enterprise zone and such other information regarding each business the State Treasurer and the Board requires. The institution shall certify that each applicant is an eligible participant, and shall, for each business, certify the present borrowing rate applicable to each specific eligible small business.

F. Upon receipt of a completed small business linked deposit loan package, the State Treasurer shall forward the loan package to

the Board, Oklahoma Tax Commission and Oklahoma Employment Security Commission. The Board shall review the small business linked deposit loan package to determine if said package is qualified under this act. Within ten (10) days of receipt of the loan package, the Oklahoma Tax Commission and the Oklahoma Employment Security Commission shall determine and certify with the Board whether or not the applicant is in good standing. The Board shall make a recommendation concerning the package at the next regularly scheduled Board meeting or at a special Board meeting, after receipt of the responses from the Oklahoma Tax Commission and the Oklahoma Employment Security Commission. No applicant will be approved without certification of good standing with the Oklahoma Tax Commission and Oklahoma Employment Security Commission. The Board shall return the package to the State Treasurer with a written recommendation of approval or rejection. If the Board recommends rejection, the written recommendation shall include reasons for said rejection. The Board shall forward a copy of its rejection notice to the lending institution and the borrower. The State Treasurer shall keep a chronological list of applications forwarded by the Board for approval or rejection.

SECTION 11. AMENDATORY 62 O.S. 1991, Section 90, as amended by Section 4, Chapter 219, O.S.L. 1996 (62 O.S. Supp. 1997, Section 90), is amended to read as follows:

Section 90. The State Treasurer may implement and engage in a securities lending program. As used in this section, "securities lending program" means any program, arrangement or agreement whereby the state deposits securities with a federally or state-chartered savings and loan association, a trust company, a state or national bank, or a broker-dealer registered with the National Association of Securities Dealers, Inc. and insured by the Securities Investors Protection Corporation, for the purpose of permitting the financial institution or broker-dealer to lend securities to a borrower

approved by the State Treasurer in return for a fee or charge paid by the borrower for the use of such securities. All income from securities lending, less fees, shall accrue to the credit of the General Revenue Fund. Securities loaned under this program shall be subject to the collateral requirements specified by the State Treasurer. The State Treasurer must receive collateral equal to at least one hundred percent (100%) of the market value of the securities loaned, consisting of securities or instruments which the State Treasurer can purchase pursuant to Section 89.2 of this title. Nothing herein shall be deemed to prohibit the implementation of securities lending programs by the state retirement systems which are designed and managed by the boards of trustees of such systems.

SECTION 12. AMENDATORY 62 O.S. 1991, Section 516.2, is amended to read as follows:

Section 516.2 For the purpose of facilitating the pledging, taking, approving, custody, and withdrawal of collateral securities for the deposit of public funds, a unit collateral system is hereby prescribed, authorized and provided. For this purpose, state depository banks willing to act as depositories for other municipal and governmental units may invoke the privileges of this system.

Any bank or trust company in the State of Oklahoma, which has been designated as a depository for state and/or county funds, as by law provided, may elect if it so desire, but it may not be so required, to make a unit collateral pledge running to the State of Oklahoma, by which the collateral securities named, offered and accepted, may serve to protect and secure county, city, town, and board of education funds on deposit in such bank, in the manner hereinafter provided. State monies on deposit in a depository bank may not be secured by a unit collateral pledge as authorized by the provisions of this act.

The State Treasurer is hereby authorized to consider, in relation to the terms and conditions of this act, the collateral

securities offered and the offer to pledge, and, if proper, to accept and approve the same in the name of the State of Oklahoma for the use and benefit of the several municipal and governmental subdivisions thereof as may be named, and with the interest of each separately stated, as set forth in such offer to pledge, to secure deposit in such bank of the funds thereof in the custody of the several treasurers or their successors in office to the extent of the sum named specifically as to each, and the total of their several interests shall not exceed the total par value of such securities.

Upon the acceptance and approval, the State Treasurer shall execute, and append to such pledge agreement, his official receipt to the pledgor bank for the safe and secure custody of said securities and he shall thereafter be liable therefor on his official bond; whereupon said pledge agreement shall be complete. Provided further, however, that if the pledgor bank so elect and the Oklahoma City Branch Bank of the Federal Reserve System, or any reserve city bank designated by the State Treasurer as a security-depository bank, so undertake, which election shall be stated and set out in the offer to pledge, the securities so accepted and taken may be placed in the sole custody of said Oklahoma City Federal Reserve Branch Bank, or such reserve city bank with full and coextensive liability to the pledgor bank and the State Treasurer of the State of Oklahoma jointly, as hereinafter provided. A copy of the receipt in either instance shall be furnished to and kept in the files of the Attorney General of the State of Oklahoma, but such copy shall be plainly stamped or marked that the same is for identification only and may never serve for any other purpose or be substituted for any original in any instance whatsoever; provided, that the Attorney General and the State Treasurer and the State Auditor and Inspector, shall prepare and prescribe a proper contract under which reserve city banks, other

than the Federal Reserve Bank, shall act as security deposit agents for the purposes of this act. No bank shall be approved as a custodian of its own securities used as collateral for public deposits in such bank.

Upon receipt of properly executed joint-custody receipt issued by the said Federal Reserve Bank or other approved security-depository bank, listing and describing securities deposited with it for the purposes herein provided, and upon the approval of such securities by the State Treasurer, or upon the issue of his own receipt for immediate custody not joint, it shall be the duty of the State Treasurer to ~~execute, over his official signature and seal,~~ cause to be executed a certificate to the treasurer of each county, city, town, and board of education named in the pledge agreement, setting forth the number and date of the receipt for custody of securities advising him of the maximum sum secured to him and his deposits in said bank (naming it and its location), exclusive of and in addition to his deposits therein otherwise secured or insured, and transmit the same to such treasurer by registered mail. The State Treasurer shall also notify him of any increase or decrease in the protection thus afforded, in like manner, for the same bank.

The unit collateral system hereby prescribed, authorized and provided shall never be construed to require that coverage for more than one governmental unit shall necessarily be included, but pledge offer under the terms of this act, and all proceedings incident thereto, may be made to cover and secure a deposit of public funds by the treasurer of any county, city, town, or board of education within this state, whether one or any number of them.

SECTION 13. This act shall become effective July 1, 1998.

SECTION 14. It being immediately necessary for the preservation of the public peace, health and safety, an emergency is hereby

declared to exist, by reason whereof this act shall take effect and be in full force from and after its passage and approval.

Passed the House of Representatives the 18th day of February, 1998.

Speaker of the House of Representatives

Passed the Senate the ____ day of _____, 1998.

President of the Senate