

April 29, 1965.
Sifting Committee.

House File 663
By COMMERCE COMMITTEE.

Passed House, Date 5/14 Passed Senate, Date 5/29
Vote: Ayes 98 Nays 2 Vote: Ayes 44 Nays 2

Approved

motion to reconsider prevailed 5/14
passed house as amended 5/19 (111-2)
passed senate 5/19
be amended + pass 5/28
insisted on amendment 6/3

A BILL FOR

An Act to provide for procedure and type of investment of public funds by the treasurer of the state of Iowa, and to amend the interest rates of the deposit of public funds.

conf report + amendments adopted 6/4
passed house 6/4 (100-5)
conf. comm. report + amendments adopted 6/4
passed senate 6/4 (52-0)

Be It Enacted by the General Assembly of the State of Iowa:

- 1 Section 1. Section four hundred fifty-two point ten (452.10),
- 2 Code 1962, is hereby amended as follows:
- 3 1. By striking in lines nine (9), ten (10), and eleven (11)
- 4 the words "United States government bonds and certificates,
- 5 providing suitable issues are available" and inserting in lieu
- 6 thereof the following: "bonds or other evidences of indebtedness
- 7 issued, assumed, or guaranteed by the United States of America,
- 8 or by any agency or instrumentality thereof".
- 9 2. By striking all of said section after the word "therefor."
- 10 in line fourteen (14) and inserting in lieu thereof the following:
- 11 "With respect to any time deposits that the state treasurer may
- 12 place with any depository, the state treasurer shall require
- 13 from such depositories a pledge consisting of bonds or other
- 14 evidences of indebtedness of the state of Iowa, or of any
- 15 county, city, town, school, road, drainage, or other district
- 16 located within the state of Iowa, or of any governmental
- 17 authority or instrumentality of the state of Iowa, or bonds or
- 18 other evidences of indebtedness issued, assumed or guaranteed
- 19 by the United States of America or by any agency or instrumentality
- 20 thereof, said pledge to be one hundred (100) percent of the

21 amount of said deposit, less \$10,000 insurance as provided by
22 the Federal Deposit Insurance Corporation, and said pledge to
23 be evidenced by a safe-keeping receipt of the securities
24 deposited issued by a federal reserve bank or a branch thereof
25 or a correspondent bank, and said safe-keeping receipts to be
26 furnished to the state treasurer.”

1 Sec. 2. Section four hundred fifty-three point six (453.6),
2 Code 1962, as amended by the Acts of the Sixtieth General Assembly,
3 chapter two hundred seventy-eight (278), section three (3), is
4 hereby amended by striking all of said section after the word
5 “rates.” in line twelve (12) and inserting in lieu thereof the
6 following: “These rates shall be commensurate with rates
7 obtainable from other sources on instruments of similar maturities
8 and quality.”

EXPLANATION OF HOUSE FILE 663

Section 452.10 is unclear in regard as to what United States government bonds and certificates can be used as investment and a new definition has been taken from section 511.8 which relates to the investment provisions that apply to life insurance companies. The present last sentence of section 452.10 provides a policy of placing demand deposits with banks which is not an effective investment of state funds. In replacement thereof, subsection 2 of section one (1) of this act provides that the State of Iowa be protected by a pledge of securities of a value of 100 percent of the deposit, less \$10,000 Federal Deposit Insurance.

To improve the interest earnings of the State of Iowa, section 2 provides the interest shall not be limited to the prior percentage of 3 percent by stating that the rates shall be commensurate with other available investment rates.

HOUSE FILE 663

- 1 Amend House File 663 as follows:
 2 1. By striking lines seven (7) and eight (8) of section one (1)
 3 thereof and substituting therefor the following:
 4 "which are obligations of or guaranteed by the United States
 5 of America".
 6 2. By striking the words "issued, assumed" from line eighteen
 7 (18) of section one (1) thereof and substituting therefor the following:
 8 "which are obligations of".
 9 3. By striking the words "or by any agency or instrumentality
 10 thereof from lines nineteen (19) and twenty (20) of section one (1).
 11 4. By striking lines four (4), five (5), six (6), seven (7), and
 12 eight (8) of section two (2) thereof and substituting therefor the
 13 following:
 14 "hereby amended by striking the period (.) at the end of said
 15 section and substituting a comma (,) therefor and adding thereto
 16 the following: 'provided that these limitations shall not apply to
 17 deposits of the treasurer of state or deposits made under sections
 18 four hundred fifty-three point nine (453.9) and four hundred fifty-
 19 three point ten (453.10) of the code.'
 20 5. By adding thereto the following new section:
 21 "Section four hundred fifty-three point nine (453.9), Code 1962,
 22 is amended by inserting after the comma (,) in line nine (9) thereof,
 23 the following: 'or make time deposits of such funds as provided in
 24 this chapter and receive time certificates of deposit therefor.'"

Filed
May 17, 1965. *lost 5/19*

GILLETTE of Story.
JACKSON of Polk.
MEACHAM of Poweshiek.
GAUDINEER of Polk.
LOSS of Kossuth.

EXPLANATION OF AMENDMENT TO H. F. 663

The first three paragraphs of this amendment are designed to remove references to bonds or evidences of indebtedness of agencies or instrumentalities of the United States, which are not obligations of or guaranteed by the United States. There are a number of such issues which are undoubtedly good enough investments under present economic conditions, but which might not be sound investments in the event of economic trouble. For example, see Bankers Farm Mortgage Company vs. United States, 69 Fed. Sup. 197, where the United States was held not to be liable for the redemption of joint stock land bank bonds even though the federal statute declared them to be instrumentalities of the United States.

The fourth paragraph of the amendment provides that the interest rate established by the rate making board shall not apply to deposits of the state treasurer or to the investment of local funds which are being held as a sinking fund or which were created by a direct vote of the people. This, because these funds are often held for long periods of time and it is entirely possible that a somewhat higher rate of interest might be secured on long term deposits of this nature. There would be an advantage in placing these funds with local banks rather than in government bonds because the money would then be kept in the local community where it would tend to improve the economic condition.

The fifth paragraph of the amendment would authorize the investment of funds being held as sinking funds in time certificates of deposit which would enable deposits to be made and to be included in the exemption of the preceding paragraph.

Filed
May 17, 1965.

HOUSE FILE 663

- 1 Amend House File 663 as follows:
 2 1. By striking lines seven (7) and eight (8) of section one
 3 (1) thereof and substituting therefor the following:
 4 "which are obligations of or guaranteed by the United States
 5 of America".
 6 2. By striking lines four (4), five (5), six (6), seven (7) and
 7 eight (8) of section two (2) thereof and substituting therefor the
 8 following:
 9 "hereby amended by striking the period (.) at the end of said
 10 section and substituting a comma (,) therefor and adding thereto
 11 the following: 'provided that these limitations shall not apply to
 12 deposits of the treasurer of state.'"

Filed
May 13, 1965.

adopted 5/14 motion to reconsider prevailed 5/14 (74-17)
withdrawn 5/19

JACKSON of Clinton.

HOUSE FILE 663
(Committee Amendment)

1 Amend House File 663 as follows:

2 1. By striking lines seven (7) and eight (8) of section one (1)
3 thereof and substituting therefor the following:

4 "which are obligations of or guaranteed by the United States
5 of America".

6 2. By striking the words "issued, assumed" from line eighteen
7 (18) of section one (1) thereof and substituting therefor the following:
8 "which are obligations of".

9 3. By striking the words "or by any agency or instrumentality"
10 thereof from lines nineteen (19) and twenty (20) of section one (1).

11 4. By striking lines four (4), five (5), six (6), seven (7), and
12 eight (8) of section two (2) thereof and substituting therefor the
13 following:

14 "hereby amended by striking the period (.) at the end of said
15 section and substituting a comma (,) therefor and adding thereto
16 the following: 'provided that these limitations shall not apply to
17 deposits of the treasurer of state or deposits made under section
18 four hundred fifty-three point nine (453.9) and four hundred fifty-
19 three point ten (453.10) of the code.' "

20 5. By adding thereto the following new section:

21 "Section four hundred fifty-three point nine (453.9), Code 1962,
22 is amended by inserting after the comma (,) in line nine (9) thereof,
23 the following: 'or make time deposits of such funds as provided in
24 this chapter and receive time certificates of deposit therefor.' "

Filed *Adopted by*
May 28, 1965.

BY COMMITTEE ON WAYS AND MEANS,
ANDREW G. FROMMELT, *Chairman.*

*Mailed 12/12/65
Concur 12/12/65*