

WEST VIRGINIA LEGISLATURE

2022 REGULAR SESSION

Committee Substitute

for

Senate Bill 438

BY SENATORS NELSON AND TRUMP

[Originating in the Committee on Banking and
Insurance; reported on February 8, 2022]

1 A BILL to amend and reenact §12-1-5 of the Code of West Virginia, 1931, as amended; and to
2 amend said code by adding thereto a new article, designated §12-1B-1, §12-1B-2,
3 §12-1B-3, §12-1B-4, §12-1B-5, §12-1B-6, §12-1B-7, §12-1B-8, §12-1B-9, §12-1B-10,
4 §12-1B-11, §12-1B-12, §12-1B-13, and §12-1B-14; all relating generally to the West
5 Virginia Security for Public Deposits Act; requiring rule-making by the State Treasurer and
6 authorizing emergency rules related to securing public deposits; providing a short title;
7 providing legislative findings; specifying the act's applicability; defining terms; establishing
8 the West Virginia Security for Public Deposits Program and requiring the program be
9 operable by a certain date; establishing the Treasurer's Collateral Administration Fund as
10 a special revenue account in the State Treasury and requirements for said fund;
11 establishing powers and duties of the State Treasurer with regard to the West Virginia
12 Security for Public Deposits Program; requiring rule-making by the State Treasurer and
13 authorizing emergency rules related to the program; authorizing administrative fees, fines,
14 penalties, and service charges; authorizing designated state depositories to secure public
15 deposits pursuant to the act; clarifying that designated state depositories securing public
16 deposits under the act are not required to secure deposits by other methods; establishing
17 the duties of designated state depositories securing deposits pursuant to the act; allowing
18 designated state depositories to secure public deposits through a pooled method;
19 subrogating the State Treasurer to certain claims of a depositor and requiring distribution
20 of assets; requiring that deposits of public funds pursuant to the act be made in designated
21 state depositories; authorizing public depositors to make public deposits; limiting liability
22 of public depositors in certain circumstances; setting forth reporting requirements for
23 designated state depositories; and clarifying that the act controls over inconsistent
24 provisions of state or local law.

Be it enacted by the Legislature of West Virginia:

ARTICLE 1. STATE DEPOSITORIES.

§12-1-5. Limitation on amount on deposit; rules.

1 (a) The amount of state funds on deposit in any depository in excess of the amount insured
2 by an agency of the federal government shall be secured by a deposit guaranty bond issued by
3 a valid bankers' surety company or by other securities acceptable to the State Treasurer, pursuant
4 to the dedicated method as defined in §12-1B-4 of this code, in an amount of at least 102 percent
5 of the amount on deposit. The value of the collateral shall be determined by the State Treasurer.

6 (b) The State Treasurer shall propose rules for legislative approval in accordance with the
7 provisions of §29A-3-1 et seq. of this code and may promulgate emergency rules pursuant to the
8 provisions of §29A-3-15 of this code as are necessary to effectuate the provisions of this section.

ARTICLE 1B. WEST VIRGINIA SECURITY FOR PUBLIC DEPOSITS ACT.

§12-1B-1. Short title.

1 This article shall be known, and may be cited as, the West Virginia Security for Public
2 Deposits Act.

§12-1B-2. Legislative intent; findings.

1 (a) The purpose of the West Virginia Security for Public Deposits Act is to allow designated
2 state depositories to pledge collateral for all public deposits made by the state or by any county,
3 municipality, spending unit, or political subdivision of the state through a pooled method, as
4 defined in §12-1B-4 of this code.

5 (b) It is the intent of the Legislature that designated state depositories participating in the
6 Public Deposits Program be authorized to secure public deposits through the pooled method, as
7 an alternative to the methods of securing public deposits authorized under other sections of this
8 code, including §7-6-2, §8-13-22a, §12-1-4, §12-1-5, and §18-9-6 of this code.

9 (c) The Legislature anticipates that authorizing designated state depositories to secure
10 public deposits using the pooled method will lower the overall cost of public deposits and make
11 public banking contracts in West Virginia more desirable to financial institutions.

§12-1B-3. Applicability.

1 This article applies to public deposits. This article does not apply to investments made by
2 the State Treasurer, the Board of Treasury Investments, the Investment Management Board, or
3 any other investments of the state.

§12-1B-4. Definitions.

1 For the purposes of this article, the following terms have the following meanings:

2 “Dedicated method” or “non-contingent liability pool” means the securing of public deposits
3 without accepting the contingent liability for the losses of public deposits of other designated state
4 depositories as provided in §12-1-5 of this code.

5 “Default” or “insolvent” includes, but may not be limited to, the failure or refusal of any
6 designated state depository to return any public deposit upon demand or at maturity and the
7 issuance of an order of supervisory authority restraining such depository from making payments
8 of deposit liabilities or the appointment of a receiver for such depository.

9 “Defaulting depository” means any designated state depository determined to be in default
10 or insolvent.

11 “Designated state depository” means any state or national bank or any state or federal
12 savings and loan association in this state meeting the requirements of chapter 12 of this code.

13 “Political subdivision” means any county, municipality, board of education, corporation or
14 instrumentality of one or more counties or municipalities, or any other government organization.

15 “Pooled method” means securing public deposits by accepting the contingent liability for
16 the losses of public deposits of other designated state depositories that chose this method, as
17 required by this article and any rule pursuant to this article.

18 “Public deposit” means funds of a public depositor held by a designated state depository
19 that is authorized to receive or administer such moneys from a public depositor for deposit in any
20 of the following types of accounts: Time deposits; demand deposits; savings deposits; or any
21 other transaction accounts.

22 “Public depositor” means the state or any county, municipality, spending unit, or other
23 political subdivision of the state.

24 “Qualified escrow agent” means the State Treasurer or any bank or trust company
25 approved by the State Treasurer to hold collateral pledged to secure public deposits.

26 “Required collateral” of a designated state depository means the amount of collateral
27 required to secure public deposits, according to this article or rules pursuant to this article.

28 “Spending unit” means a department, agency, board, commission, or institution of state
29 government for which an appropriation is requested or to which an appropriation is made by the
30 Legislature.

31 “State Treasurer” or “Treasurer” means the State Treasurer of West Virginia or his or her
32 designee.

33 “West Virginia Security for Public Deposits Program” or “Public Deposits Program” means
34 the system and procedures developed by the State Treasurer to enable public depositors to
35 secure public deposits pursuant to this article.

§12-1B-5. West Virginia Security for Public Deposits Program established.

1 The West Virginia Security for Public Deposits Program is hereby established. The
2 Treasurer shall implement and administer the West Virginia Security for Public Deposits Program
3 under the terms and conditions required by this article. The Public Deposits Program shall be
4 operable on or before March 1, 2024.

§12-1B-6. The Treasurer’s Collateral Administration Fund.

1 There is hereby established in the State Treasury a special revenue account designated
2 the Treasurer’s Collateral Administration Fund to be administered by the Treasurer pursuant to
3 the provisions of this article. This fund shall be an interest-bearing fund and shall receive moneys
4 authorized in the article. Moneys in the account shall be used by the Treasurer to pay any fees
5 and costs associated with this article and for such other purposes as authorized by the
6 Legislature.

§12-1B-7. Powers and duties of the State Treasurer; rules; charges; contracts.

1 In order to implement and administer the Public Deposits Program, the State Treasurer
2 shall:

3 (1) Propose rules for legislative approval in accordance with the provisions of §29A-3-1 et
4 seq. of this code and may promulgate emergency rules pursuant to the provisions of §29A-3-15
5 of this code as are necessary to effectuate the provisions of this article, including, but not limited
6 to, the following:

7 (A) The terms and conditions under which public deposits must be secured;

8 (B) The method for determining the pooled collateral requirements based on balance of
9 public funds held in the designated state depository in excess of funds insured by an agency of
10 the federal government and the evaluation of the overall financial condition of the designated state
11 depository;

12 (C) The collateral requirements and collateral pledging level for each designated state
13 depository as determined to be prudent under the circumstances and based on nationally
14 recognized financial rating services information and established financial performance guidelines;

15 (D) The securities or instruments that constitute eligible collateral under this article and
16 the percentage of face value or market value of such securities or instruments that can be used
17 to secure public deposits;

18 (E) Reporting requirements for designated state depositories;

19 (F) The process for a designated state depository to withdraw from the pooled method of
20 securing public deposits and instead be governed by the procedures for securing such deposits
21 by the dedicated method, consistent with the primary purpose of protecting public deposits;

22 (G) The process for determining when a default or insolvency has occurred, or is likely to
23 occur, and the actions necessary for the protection, collection, compromise, or settlement of any
24 claim arising in case of default or insolvency;

25 (H) Requirements for the payment of losses by pooled or dedicated methods; and

26 (1) Any and all guidelines necessary and proper for the full and complete administration of
27 this article;

28 (2) Charge and collect any necessary administrative fees, fines, penalties, and service
29 charges in connection with the Public Deposits Program or any agreement, contract, or
30 transaction pursuant to this article;

31 (3) Execute contracts, agreements, or other instruments for goods and services necessary
32 to effectuate this article, including agreements with designated state depositories or any other
33 entity. Selection of these services is not subject to §5A-3-1 et seq. of this code; and

34 (4) Perform all other lawful actions necessary to effectuate the provisions of this article,
35 subject to applicable state and federal law.

§12-1B-8. Authority to secure public deposits; acceptance of liabilities and duties by public depositories.

1 (a) All designated state depositories are hereby authorized to secure public deposits in
2 accordance with this article and shall be considered to have accepted the liabilities and duties
3 imposed upon it pursuant to this article.

4 (b) Notwithstanding any provision of this code to the contrary, including, but not limited to,
5 §7-6-2, §8-13-22a, §12-1-4, §12-1-5, and §18-9-6 of this code, a designated state depository
6 securing public deposits in accordance with this article is not required to secure said deposits by
7 another method provided in this code.

§12-1B-9. Collateral for public deposits.

1 (a) Designated state depositories shall secure public deposits under this article by either
2 the pooled method or the dedicated method. Every designated state depository securing public
3 deposits under this article shall deposit with a qualified escrow agent eligible collateral equal to
4 or in excess of the required collateral. Eligible collateral shall be valued as determined by the
5 State Treasurer. Substitutions and withdrawals of eligible collateral may be made as determined
6 by the State Treasurer.

7 (b) A designated state depository shall meet all collateral requirements under this article
8 if it accepts or retains any public deposit under this article: *Provided*, That a designated state
9 depository may accept or retain public deposits that occur outside of its set hours of operation
10 and in excess of its required collateral, so long as any such necessary deposit of eligible collateral
11 is made prior to the close of business on the second business day following receipt of the deposit.

§12-1B-10. Subrogation of the State Treasurer to depositor's rights; payment of sums received from distribution of assets.

1 Upon payment in full to any public depositor on any claim presented pursuant to this
2 article, the State Treasurer shall be subrogated to all of such depositor's rights, title, and interest
3 against the depository in default or insolvent and shall share in any distribution of such defaulting
4 or insolvent depository's assets in the same amount as would have been received by the public
5 depositor ratably with other depositors. Any sums received from any such distribution shall be
6 paid to the other designated state depositories against which assessments were made, in
7 proportion to such assessments, net of any proper payment or expense of the State Treasurer in
8 enforcing any such claim.

§12-1B-11. Deposit of public funds in designated state depositories; authority to make public deposits.

1 (a) Public deposits made pursuant to this article shall be deposited in a designated state
2 depository.

3 (b) All public depositors shall make public deposits under their control in designated state
4 depositories, securing such public deposits pursuant to this article: *Provided*, That a public
5 depositor shall provide a designated state depository with at least two business days of advance
6 notice prior to making any large increase in its public deposits that could otherwise result in the
7 depository having an insufficient amount of eligible collateral necessary to secure the public
8 deposits in accordance with the provisions of this article. If the advanced notice is not provided,
9 the designated state depository shall notify the State Treasurer accordingly.

10 (c) A county, municipality, spending unit, or other political subdivision of the state may not
11 require any pledge of collateral from a designated state depository for their deposits in excess of
12 the requirements of this article.

§12-1B-12. Liability of public depositors.

1 When deposits are made in accordance with this article, no official of a public depository
2 may be personally liable for any loss resulting from the default or insolvency of any designated
3 state depository in the absence of negligence, malfeasance, misfeasance, or nonfeasance.

§12-1B-13. Reports of designated state depositories.

1 No later than the 10th day after the end of each reporting period, or when otherwise
2 requested by the State Treasurer, each designated state depository accepting any public deposit
3 under this article shall submit to the State Treasurer an electronic report of such data as required
4 by the Treasurer for the administration of this article.

§12-1B-14. Inconsistent provisions.

1 If provisions of this article are inconsistent with the provisions of any other state or local
2 law relating to the pledge of collateral by the state or any county, municipality, or other political
3 subdivision for purposes of securing public deposits in financial institutions, the provisions of this
4 article shall control.