



Office of the State Treasurer

200 Piedmont Avenue, Suite 1204, West Tower

Atlanta, Georgia 30334-5527

www.otfs.ga.gov

Steve McCoy
Treasurer

(404) 656-2168
FAX (404) 656-9048

State of Georgia Depository and Bank Fee Policy

I. The Depository of any state department, board, bureau, or agency must be approved by the State Depository Board.

1. Any department, board, bureau, or agency (state entity) that has a need to open a new depository account or request a new banking service must request and receive approval of the State Depository Board by making application through the Office of the State Treasurer (OST).
2. The banking services for each department, board, bureau, or agency should be reviewed every three years in participation with OST.

Creation of State Depository Board

§ 50-17-50.

The State Depository Board, referred to in this article as the "board," is created, consisting of the Governor, the Commissioner of Insurance, the state accounting officer, the commissioner of banking and finance, the state revenue commissioner, the commissioner of transportation, and the state treasurer, referred to in this article as the "state treasurer," who shall act as administrative officer of the board. A majority of the board shall constitute a quorum, and the acts of the majority shall be the acts of the board. The board, in its discretion, may name and appoint, from time to time, as state depositories of state funds any bank or trust company which has its deposits insured by the Federal Deposit Insurance Corporation. The board may also name and appoint as state depositories of state funds any building and loan association or federal savings and loan association which has its deposits insured by the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation or the Georgia Credit Union Deposit Corporation. The board may also authorize any department, board, bureau, or other agency of the state which has a foreign office to deposit state funds for current operating expenses in certain foreign banks, the deposits of which are not insured by the Federal Deposit Insurance Corporation, provided the balance of such deposits in any one foreign bank does not exceed limits prescribed by the State Depository Board. For the purposes of this article, "foreign bank" shall mean a bank organized under the laws of a foreign country. The board is assigned to the Department of Administrative Services for administrative purposes only as prescribed in Code Section 50-4-3.

II. Process for approval of new depository accounts or new banking services.

1. Any state entity requesting a new depository account or a new banking service shall apply to the Office of the State Treasurer (OST) with a description of the banking services requested.
2. Prior to the beginning of each fiscal year, the OST will solicit fee schedules from each bank participating in the Statewide Banking Program. Participating banks have three options; maintain their existing fee schedules from the prior year, submit amendments for only those fees which will change, or submit new fee schedules. OST will incorporate the fee schedules into an agreement with each bank. Bank fee schedules for the qualified banks will be in effect for the next fiscal year, but may be amended to achieve reductions in fees.
3. OST shall prepare a proforma analysis for any state entity requesting a new bank account or new service or change in banks or banking services that compares the total service costs of each bank for the proposed service(s). The three banks with the lowest total cost, as indicated by the analysis, will be eligible to provide the desired services.
4. On completion of the analysis, OST will forward the list of eligible banks and their associated costs to the state entity. The state entity will have the option of choosing a bank from the list of the three lowest priced service providers, or opting to participate in the streamlined banking program. All selections made by the state entity shall be reported back to OST with a request for approval of the State Depository Board.
5. If the state entity believes that none of the eligible institutions can adequately provide the desired service, it may request an exception from the State Treasurer. To the extent that it would be in the best interest of the state, the State Treasurer may approve exceptions. However, the State Treasurer must report all exceptions to the board.
6. OST is required to notify all state entities in writing upon board approval or denial of any new state depository or service relationship. OST will maintain a registry of all banking depository relationships.
7. Requests for any expansion of banking services also should be submitted to OST and the State Depository Board for approval. At the discretion of the State Treasurer, any expansion of existing banking services that is likely to increase fees significantly should also be submitted to the State Depository Board for review.

*On July 5, 2011, the State Depository Board adopted a Resolution that approved, authorized, and directed the State Treasurer, in his capacity as administrative officer of the Board, to approve the appointment of state depositories of state funds between meetings of the Board **in circumstances in which the Treasurer believes immediate approval is needed in furtherance of the duties of the Board** provided that any and all such approvals shall be reported to the Board at the time of its next meeting for consideration and review or such other action as the Board in its discretion may determine. The Treasurer is further authorized to approve expansions of banking services provided by depositories.*

III. Process for periodic review of banking services.

1. In addition to evaluating requests for new deposit accounts or new banking services, OST shall reevaluate all banking services with state entities every three years, in line with a time-table prepared by OST or when requested by a state entity. As an alternative state entities may choose to transfer their banking services to the banks providing the streamlined banking program to the state, in lieu of reevaluation. Colleges and universities may opt to reevaluate their banking services every five years.
2. If the periodic reevaluation indicates that a state entity is not banking with one of the three lower cost providers for a particular service, the state entity may be required to select a new bank.
3. OST shall prepare a proforma analysis for any state entity requesting a new bank account or new service or change in banks or banking services that compares the total service costs of each bank for the proposed service(s). The three banks with the lowest total cost, as indicated by the analysis, will be eligible to provide the desired services.
4. On completion of the analysis, OST will forward the list of eligible banks and their associated costs to the state entity. The state entity will have the option of choosing a bank from the list of the three lowest priced service providers, or opting to participate in the streamlined banking program. All selections made by the state entity shall be reported back to OST with a request for approval of the State Depository Board.
5. Colleges and universities under the auspices of the Board of Regents or The Technical College System of Georgia ("schools") may conduct searches for banks and banking services, utilizing a standard RFP format provided by OST. Alternatively, schools may elect to select a banking institution from among the lowest cost service providers participating in the Statewide Banking Program that provide the required banking services.
6. If the state entity believes that none of the eligible institutions can adequately provide the desired service, it may request an exception from the State Treasurer. To the extent that it would be in the best interest of the state, the State Treasurer may approve exceptions. However, the State Treasurer must report all exceptions to the board.
7. OST is required to notify all state entities in writing upon board approval or denial of any new state depository or service relationship. OST will maintain a registry of all banking depository relationships.

*On July 5, 2011, the State Depository Board adopted a Resolution that approved, authorized, and directed the State Treasurer, in his capacity as administrative officer of the Board, to approve the appointment of state depositories of state funds between meetings of the Board **in circumstances in which the Treasurer believes immediate approval is needed in furtherance of the duties of the Board** provided that any and all such approvals shall be reported to the Board at the time of its next meeting for consideration and review or such other action as the Board in its discretion may determine. The Treasurer is further authorized to approve expansions of banking services provided by depositories.*

IV. Compilation of Interest Income and Bank Fees

It is the policy of the State Depository Board to accrue to the State an advantageous yield of interest on its funds in excess of those required for operating expenses, in accordance with sound business management practices.

All interest income on state funds in state department, board, bureau, or agency deposit accounts will be paid and consolidated into the state treasury by the depository institutions on a monthly basis and bank fees will be paid from the available interest income.

Statutory requirements for interest on deposits

§ 50-17-52.

The board shall make with depositories the most advantageous contracts for interest to be paid by them to the state for the use of the state's money which may be deposited therein, as provided by this article. In so doing, the board may authorize the state treasurer to negotiate with depositories explicit fees in payment for the state's banking services. Such fees shall be paid by the state treasurer from interest earned and shall be subject to the board's approval. In the event any depository so named shall refuse to make a satisfactory contract with the board as to interest to be paid and fees to be charged, it shall have authority to remove state funds from such depository.

V. Current Participants in the Bank Fee Program as of November 1, 2011:

1. Bank of America
2. Branch Banking & Trust Company
3. Columbus Bank & Trust
4. Citibank
5. Citizens Trust
6. Fifth Third
7. JP Morgan Chase
8. Regions
9. SunTrust
10. Wells Fargo

VI. Qualifications of Depository Institutions for State Deposits

State Depository Institutions preferably should meet the following criteria to qualify to be a depository of state funds:

1. Tier 1 leverage ratio of 6% or greater;
2. Return on average assets of 0.0% or greater; and,
3. Institution rating by Highline Financial (or successor companies) of 35 or greater.

In the event a depository fails to meet one or more of the above requirements, they still may be eligible for approval, if they meet the definition of “well capitalized” as defined in the federal guidelines adopted pursuant to the Federal Deposit Insurance Corporation Improvement Act of

1991 (FDICIA). The FDICIA regulations define “well capitalized” banks or bank holding companies as entities that:

1. Have a Tier 1 leverage ratio of 5% or greater;
2. Have a Tier 1 risk-based capital ratio of 6% or greater;
3. Have a Total risk-based capital of 10% or greater; and,
4. Are not subject to a regulatory order to maintain a specific capital level for any capital measure.

The preceding information may be obtained from summary financial reports published by the FDIC and is available on the Internet.

Periodically OST, in coordination with the Georgia Department of Banking and Finance, will review the list of approved state depository institutions to determine, to the best of their abilities, if the depository institutions meet these criteria.

For a limited period of time from January 1, 2011 to December 31, 2012 (unless extended) at the discretion of the State Treasurer, state entities may continue in depository relationships with banks not meeting the above listed qualifications if the deposit accounts are non-interest bearing transaction accounts that are temporarily covered by unlimited deposit insurance coverage or guarantee provided by the Federal Deposit Insurance Corporation as provided for under the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Authority to determine amount to be deposited; deposit security required

§ 50-17-53.

To enable the board to fulfill its responsibilities of ensuring safe and effective cash management, the board shall be authorized to determine, from time to time, in respect to all state funds, whether deposited by the state treasurer or any other department or agency of the state government, any and all of the following:

- (1) The maximum amount of state money which may be deposited in a particular depository;*
- (2) The maximum and minimum proportion of state funds which may be maintained in a particular depository;*
- (3) The amount of state funds to be deposited in particular state depositories as time deposits, and the periods of such deposits, provided that all state depositories shall give security for state deposits as required by law, but the board, in its discretion, may choose not to require that security be given in the case of special deposits and operating funds; and*
- (4) The policies and procedures governing the collection, processing, deposit, and withdrawal of state funds.*

Statutory Requirements for monitoring financial condition of depositories

§ 50-17-54.

It shall be the duty of the board to keep itself advised, from time to time, of the financial condition of the various state depositories, as well as of the financial condition and standing of the securities on the bonds of the depositories; and, if at any time the board should become satisfied as to the insolvency of any of the depositories or that the affairs of any of the depositories are in an embarrassed financial condition, it shall be the duty of the board to direct the state treasurer to withdraw the money of the state from such depository. In case the board should be advised of the insolvency of the securities on the bond of any of the depositories, it shall be the duty of the state treasurer to notify the depository to strengthen the bond; and if, at the end of ten days, the bond is not strengthened, it shall be the duty of the board to direct the state treasurer to withdraw the money of the state from such depository. In either event, the board may also withdraw designation as a state depository.

VII. Deposit Collateralization and Depository Credit Limits

On January 29, 2009 the following banking policy for deposit collateralization and depository credit limits was approved by the State Depository Board.

- **All state demand and time deposits shall be collateralized. The value of collateral shall be equal to not less than 110% of the funds being secured after the deduction of the amount of deposit insurance.**
- The total state deposit limit at any state depository shall not exceed 100% of the depository's equity capital. The State Treasurer may temporarily increase the total state deposit limit at any state depository to 125% of equity capital to allow for fluctuation in demand deposit balances.

Deposit of funds in banks or depositories -- Depository to give bond; pledge of securities in lieu of bond; acceptance of federal insurance as security; combination of securities; aggregate amount of bond

§ 45-8-12.

(a) The collecting officer or officer holding public funds may not have on deposit at any one time in any depository for a time longer than ten days a sum of money belonging to the public body when such depository has not given a bond to the public body as set forth in this Code section. The bond to be given by depositories, where such bonds are required, shall be a surety bond signed by a surety company duly qualified and authorized to transact business within this state in a sum as so required. In lieu of such a surety bond, the depository may pledge to the public body as security any one or more of the obligations enumerated in Code Section 50-17-59, relating to the bond required to secure state deposits and securities in lieu of bond.

(b) The collecting officer or officer holding public funds shall accept the guarantee or insurance of accounts of the Federal Deposit Insurance Corporation and the guarantee or insurance of accounts of the Federal Savings and Loan Insurance Corporation to secure public funds on deposit in depositories to the extent authorized by federal law governing the Federal Deposit Insurance Corporation and the Federal Savings and Loan Insurance Corporation.

(c) A depository may secure deposits made with it partly by surety bond, partly by deposit of any one or more of the obligations referred to in subsection (a) of this Code section, partly by

the guarantee or insurance referred to in subsection (b) of this Code section, or by any combination of these methods. The aggregate of the face value of such surety bond and the market value of securities pledged shall be equal to not less than 110 percent of the public funds being secured after the deduction of the amount of deposit insurance.

(d) Notwithstanding any other provisions of this Code section, a depository may deduct the face amount of direct loans from deposits of a public body before being required to secure such deposits by a surety bond, deposit insurance, securities, or any combination thereof.

(e) This Code section shall not apply to collecting officers and officers holding public funds pursuant to Article 3 of Chapter 17 of Title 50, relating to state depositories.

VIII. Cash Management Policies and Procedures

The board shall prescribe cash management policies and procedures and state entities shall employ the cash management policies and procedures prescribed by the board. Cash management policies and procedures prescribed by the board shall be designed to maximize the efficient and effective utilization of the state's cash resources for the state as a whole. The board may require state entities to submit reports and plans on such forms and at such times as the board may prescribe to determine whether a state entity is in compliance with the cash management policies and procedures prescribed by the board. The state treasurer shall serve as cash management officer for the state on behalf of the board.

Meetings of State Depository Board; records; list of deposits; interest policy; cash management policies and procedures

§ 50-17-51.

(a) The board shall meet at least once every 90 days. The records and proceedings of the board shall be available for inspection by each member of the General Assembly. At the end of each quarter, the board shall furnish to the chairmen of the Senate and House Appropriations Committees, the chairman of the Senate Banking and Financial Institutions Committee, and the chairman of the House Banks and Banking Committee a list of all state time deposits, indicating the amount in each depository, the rates of interests contracted on such deposits, and the physical location of the depository.

(b) Compatible with the desirability of placing all state funds on deposit among state depositories and the necessity to maximize the protection of state funds on deposit, the policy to be followed by the board shall be that there will accrue to the state an advantageous yield of interest on its funds in excess of those required for current operating expenses, in accordance with sound business management practices.

(c) The board shall prescribe cash management policies and procedures and state agencies shall employ the cash management policies and procedures prescribed by the board. Cash management policies and procedures prescribed by the board shall be designed to maximize the efficient and effective utilization of the state's cash resources for the state as a whole. The board may require state agencies to submit reports and plans on such forms and at such times as the board may prescribe to determine whether an agency is in compliance with the cash management policies and procedures prescribed by the board. The state treasurer shall serve as cash management officer for the state on behalf of the board.