

1 AN ACT relating to the provision of financial services and products by credit  
2 unions.

3 ***Be it enacted by the General Assembly of the Commonwealth of Kentucky:***

4 ➔Section 1. KRS 66.480 is amended to read as follows:

5 (1) The governing body of a city, county, urban-county, charter county, school district  
6 (provided that its general procedure for action is approved by the Kentucky Board  
7 of Education), or other local governmental unit or political subdivision, may invest  
8 and reinvest money subject to its control and jurisdiction in:

9 (a) 1. Obligations of the United States and of its agencies and  
10 instrumentalities, including obligations subject to repurchase  
11 agreements, if delivery of these obligations subject to repurchase  
12 agreements is taken either directly or through an authorized custodian.

13 2. These investments may be accomplished through repurchase agreements  
14 reached with sources including but not limited to:

15 a. National or state banks chartered in Kentucky; and

16 b. *State or federally chartered credit unions having a physical*  
17 *presence in Kentucky;*

18 (b) Obligations and contracts for future delivery or purchase of obligations  
19 backed by the full faith and credit of the United States or a United States  
20 government agency, including but not limited to:

- 21 1. United States Treasury;
- 22 2. Export-Import Bank of the United States;
- 23 3. Farmers Home Administration;
- 24 4. Government National Mortgage Corporation; and
- 25 5. Merchant Marine bonds;

26 (c) Obligations of any corporation of the United States government, including but  
27 not limited to:

- 1           1.    Federal Home Loan Mortgage Corporation;
- 2           2.    Federal Farm Credit Banks;
- 3           3.    Bank for Cooperatives;
- 4           4.    Federal Intermediate Credit Banks;
- 5           5.    Federal Land Banks;
- 6           6.    Federal Home Loan Banks;
- 7           7.    Federal National Mortgage Association; and
- 8           8.    Tennessee Valley Authority;
- 9           (d)   Certificates of deposit or other interest-bearing accounts issued through a
- 10           bank, ~~for~~ savings and loan institution, or credit union, having a physical
- 11           presence in Kentucky which are:
- 12               1.   Insured by the Federal Deposit Insurance Corporation, the National
- 13               Credit Union Administration, or a similar entity; ~~or which are~~
- 14               2.   Collateralized, to the extent uninsured, by any obligations, including
- 15               surety bonds, permitted by KRS 41.240(4);
- 16           (e)   Uncollateralized certificates of deposit issued by any bank, ~~for~~ savings and
- 17           loan institution, or credit union, having a physical presence in Kentucky rated
- 18           in one (1) of the three (3) highest categories by a competent rating agency;
- 19           (f)   Bankers' acceptances for banks rated in one (1) of the three (3) highest
- 20           categories by a competent rating agency;
- 21           (g)   Commercial paper rated in the highest category by a competent rating agency;
- 22           (h)   Bonds or certificates of indebtedness of this state and of its agencies and
- 23           instrumentalities;
- 24           (i)   Securities issued by a state or local government, or any instrumentality of
- 25           agency thereof, in the United States, and rated in one (1) of the three (3)
- 26           highest categories by a competent rating agency;
- 27           (j)   Shares of mutual funds and exchange traded funds, each of which shall have

1 the following characteristics:

- 2 1. The mutual fund shall be an open-end diversified investment company
- 3 registered under the Federal Investment Company Act of 1940, as
- 4 amended;
- 5 2. The management company of the investment company shall have been
- 6 in operation for at least five (5) years; and
- 7 3. All of the securities in the mutual fund shall be eligible investments
- 8 pursuant to this section;

9 (k) Individual equity securities if the funds being invested are managed by a  
10 professional investment manager regulated by a federal regulatory agency.  
11 The individual equity securities shall be included within the Standard and  
12 Poor's 500 Index, and a single sector shall not exceed twenty-five percent  
13 (25%) of the equity allocation; and

14 (l) Individual high-quality corporate bonds that are managed by a professional  
15 investment manager that:

- 16 1. Are issued, assumed, or guaranteed by a solvent institution created and
- 17 existing under the laws of the United States;
- 18 2. Have a standard maturity of no more than ten (10) years; and
- 19 3. Are rated in the three (3) highest rating categories by at least two (2)
- 20 competent credit rating agencies.

21 (2) The investment authority provided by subsection (1) of this section shall be subject  
22 to the following limitations:

23 (a) The amount of money invested at any time by a local government or political  
24 subdivision in any one (1) of the categories of investments authorized by  
25 subsection (1)(e), (f), (g), (k), and (l) of this section shall not exceed twenty  
26 percent (20%) of the total amount of money invested by the local government;

27 (b) The amount of money invested at any one (1) time by a local government or a

- 1 political subdivision in the categories of investments authorized in subsection  
2 (1)(j), (k), and (l) of this section shall not, aggregately, exceed forty percent  
3 (40%) of the total money invested unless the investment is in a mutual fund  
4 consisting solely of the investments authorized under subsection (1)(a), (b),  
5 (c), (h), or (i) of this section, or any combination thereof;
- 6 (c) No local government or political subdivision shall purchase any investment  
7 authorized by subsection (1) of this section on a margin basis or through the  
8 use of any similar leveraging technique; and
- 9 (d) At the time the investment is made, no more than five percent (5%) of the  
10 total amount of money invested by the local governments or political  
11 subdivisions shall be invested in any one (1) issuer unless:
- 12 1. The issuer is the United States government or an agency or  
13 instrumentality of the United States government, or an entity which has  
14 its obligations guaranteed by either the United States government or an  
15 entity, agency, or instrumentality of the United States government;
  - 16 2. The money is invested in a certificate of deposit or other interest-bearing  
17 accounts as authorized by subsection (1)(d) and (e) of this section;
  - 18 3. The money is invested in bonds or certificates of indebtedness of this  
19 state and its agencies and instrumentalities as authorized in subsection  
20 (1)(h) of this section; or
  - 21 4. The money is invested in securities issued by a state or local  
22 government, or any instrumentality or agency thereof, in the United  
23 States as authorized in subsection (1)(i) of this section.
- 24 (3) The governing body of every local government or political subdivision that invests  
25 or reinvests money subject to its control or jurisdiction according to the provisions  
26 of subsection (1) of this section shall by January 1, 1995, adopt a written investment  
27 policy that shall govern the investment of funds by the local government or political

1 subdivision. The written investment policy shall include but shall not be limited to  
2 the following:

- 3 (a) A designation of the officer or officers of the local government or political  
4 subdivision who are authorized to invest and oversee the investment of funds;
  - 5 (b) A list of the permitted types of investments;
  - 6 (c) Procedures designed to secure the local government's or political subdivision's  
7 financial interest in the investments;
  - 8 (d) Standards for written agreements pursuant to which investments are to be  
9 made;
  - 10 (e) Procedures for monitoring, control, deposit, and retention of investments and  
11 collateral;
  - 12 (f) Standards for the diversification of investments, including diversification with  
13 respect to the types of investments and firms with whom the local government  
14 or political subdivision transacts business;
  - 15 (g) Standards for the qualification of investment agents which transact business  
16 with the local government, such as criteria covering creditworthiness,  
17 experience, capitalization, size, and any other factors that make a firm capable  
18 and qualified to transact business with the local government or political  
19 subdivision; and
  - 20 (h) Requirements for periodic reporting to the governing body on the status of  
21 invested funds.
- 22 (4) Sheriffs, county clerks, county attorneys, and jailers, who for the purposes of this  
23 section shall be known as county officials, may invest and reinvest money subject  
24 to their control and jurisdiction, including tax dollars subject to the provisions of  
25 KRS Chapter 134 and 160.510, as permitted by this section.
- 26 (5) The provisions of this section are not intended to impair the power of a county  
27 official, city, county, urban-county, charter county, school district, or other local

1 governmental unit or political subdivision to hold funds in deposit accounts with  
2 financial~~banking~~ institutions as otherwise authorized by law.

3 (6) The governing body or county official may delegate the investment authority  
4 provided by this section to the treasurer or other financial officer or officers charged  
5 with custody of the funds of the local government, and the officer or officers shall  
6 thereafter assume full responsibility for all investment transactions until the  
7 delegation of authority terminates or is revoked.

8 (7) All county officials shall report the earnings of any investments at the time of their  
9 annual reports and settlements with the fiscal courts for excess income of their  
10 offices.

11 (8) The state local debt officer is authorized and directed to assist county officials and  
12 local governments, except school districts, in investing funds that are temporarily in  
13 excess of operating needs by:

14 (a) Explaining investment opportunities to county officials and local governments  
15 through publication and other appropriate means; and

16 (b) Providing technical assistance in investment of idle funds to county officials  
17 and local governments that request that assistance.

18 (9) (a) The state local debt officer may create an investment pool for local  
19 governments, except school districts, and county officials; and counties and  
20 county officials and cities may associate to create an investment pool. If  
21 counties and county officials and cities create a pool, each group may select a  
22 manager to administer their pool and invest the assets. Each county and each  
23 county official and each city may invest in a pool created pursuant to this  
24 subsection. Investments shall be limited to those investment instruments  
25 permitted by this section. The funds of each local government and county  
26 official shall be properly accounted for, and earnings and charges shall be  
27 assigned to each participant in a uniform manner according to the amount

1           invested. Charges to any local government or county official shall not exceed  
2           one percent (1%) annually on the principal amount invested, and charges on  
3           investments of less than a year's duration shall be prorated. Any investment  
4           pool created pursuant to this subsection shall be audited each year by an  
5           independent certified public accountant, or by the Auditor of Public Accounts.  
6           A copy of the audit report shall be provided to each local government or  
7           county official participating in the pool. In the case of an audit by an  
8           independent certified public accountant, a copy of the audit report shall be  
9           provided to the Auditor of Public Accounts, and to the state local debt officer.  
10          The Auditor of Public Accounts may review the report of the independent  
11          certified public accountant. After preliminary review, should discrepancies be  
12          found, the Auditor of Public Accounts may make his or her own investigative  
13          report or audit to verify the findings of the independent certified public  
14          accountant's report.

15          (b) If the state local debt officer creates an investment pool, he or she shall  
16          establish an account in the Treasury for the pool. He or she shall also establish  
17          a separate trust and agency account for the purpose of covering management  
18          costs, and he or she shall deposit management charges in this account. The  
19          state local debt officer may promulgate administrative regulations, pursuant to  
20          KRS Chapter 13A, governing the operation of the investment pool, including  
21          but not limited to provisions on minimum allowable investments and  
22          investment periods, and method and timing of investments, withdrawals,  
23          payment of earnings, and assignment of charges.

24          (c) Before investing in an investment pool created pursuant to this subsection, a  
25          local government or county official shall allow any ~~savings and loan~~  
26          ~~association or bank,~~ **savings and loan association, or credit union** in the  
27          county, as described in subsection (1)(d) of this section, to bid for the

1 deposits, but the local government or county official shall not be required to  
2 seek bids more often than once in each six (6) month period.

3 (10) (a) With the approval of the Kentucky Board of Education, local boards of  
4 education, or any of them that desire to do so, may associate to create an  
5 investment pool. Each local school board which associates itself with other  
6 local school boards for the purpose of creating the investment pool may invest  
7 its funds in the pool so created and so managed. Investments shall be limited  
8 to those investment instruments permitted by this section. The funds of each  
9 local school board shall be properly accounted for, and earnings and charges  
10 shall be assigned to each participant in a uniform manner according to the  
11 amount invested. Charges to any local school board shall not exceed one  
12 percent (1%) annually on the principal amount invested, and charges on  
13 investments of less than a year's duration shall be prorated. Any investment  
14 pool created pursuant to this subsection shall be audited each year by an  
15 independent certified public accountant, or by the Auditor of Public Accounts.  
16 A copy of the audit report shall be provided to each local school board  
17 participating in the pool. In the case of an audit by an independent certified  
18 public accountant, a copy of the audit report shall be provided to the Auditor  
19 of Public Accounts, and to the Kentucky Board of Education. The Auditor of  
20 Public Accounts may review the report of the independent certified public  
21 accountant. After preliminary review, should discrepancies be found, the  
22 Auditor of Public Accounts may make his or her own investigative report or  
23 audit to verify the findings of the independent certified public accountant's  
24 report.

25 (b) The Kentucky Board of Education may promulgate administrative regulations  
26 governing the operation of the investment pool including but not limited to  
27 provisions on minimum allowable investments and investment periods, and

1 methods and timing of investments, withdrawals, payment of earnings, and  
2 assignment of charges.

3 (11) As used in this section, "competent rating agency" means a rating agency certified  
4 or approved by a national entity that engages in such a process. The certification or  
5 approval process shall include but not necessarily be limited to the following  
6 elements the subject rating agency must possess:

- 7 (a) A requirement for the rating agency to register and provide an annual updated  
8 filing;
- 9 (b) Record retention requirements;
- 10 (c) Financial reporting requirements;
- 11 (d) Policies for the prevention of misuse of material nonpublic information;
- 12 (e) Policies addressing management of conflicts of interest, including prohibited  
13 conflicts;
- 14 (f) Prohibited acts practices;
- 15 (g) Disclosure requirements;
- 16 (h) Any policies, practices, and internal controls required by the national entity;  
17 and
- 18 (i) Standards of training, experience, and competence for credit analysts.

19 ➔Section 2. KRS 41.010 is amended to read as follows:

20 (1) As used in KRS 41.070, 41.110, 41.120, 41.130, 41.280, 41.290, or 41.300, unless  
21 the context requires otherwise, the terms "appropriation," "budget unit,"  
22 "disbursements," "expenditures," "expenses," and "receipts" have the meaning  
23 given them by KRS 43.010 and 48.010.

24 (2) As used in this chapter:

- 25 (a) "Administrative body" includes an authority, board, bureau, interstate  
26 compact, commission, committee, conference, council, or any other form of  
27 organization in the executive branch of state government, but does not include

- 1 office, department, program cabinet, or division;
- 2 (b) "Agency" means any state administrative body, program cabinet, office,  
3 department, or division;
- 4 (c) "Assistant" means assistant treasurer;
- 5 (d) "Bank or credit union" includes any bank, ~~for~~ savings and loan association,  
6 or credit union:
- 7 1. Chartered by the State of Kentucky or the United States government;  
8 and
- 9 2. Designated to take custody of state funds on deposit, for periods greater  
10 than overnight, with the intent to honor presentments against those  
11 deposits;
- 12 (e) "Check," unless the context requires otherwise, means either a paper check or  
13 a paperless entry on an electronic data processing medium that substitutes for  
14 a paper check and of which a permanent record is made for purposes of  
15 debiting or crediting an account;
- 16 (f) "Collateral" means the listed securities and other obligations in KRS  
17 41.240(4);
- 18 (g) "Form" or "report" means any written method of transporting data;
- 19 (h) "Secretary" means the secretary of the Finance and Administration Cabinet;
- 20 (i) "State depository" means any bank or credit union designated to take custody  
21 of state funds on deposit pursuant to KRS 41.220;
- 22 (j) "Warrant" means a printed or electronic authorization from the Finance and  
23 Administration Cabinet for the Treasurer to issue a check; and
- 24 (k) "Writing" or "written" means letters, words, or numbers, or their equivalent,  
25 set down by handwriting, typewriting, printing, photostating, photographing,  
26 magnetic impulse, mechanical or electronic recording, or other form of data  
27 compilation.

1        ➔Section 3. KRS 41.070 is amended to read as follows:

- 2        (1) Unless otherwise expressly provided by law, no receipts from any source of state  
3        money or money for which the state is responsible shall be held, used, or deposited  
4        in any personal or special bank or credit union account, temporarily or otherwise,  
5        by any agent or employee of any budget unit, to meet expenditures or for any other  
6        purpose.
- 7        (2) All receipts of any character of any budget unit, all revenue collected for the state,  
8        and all public money and dues to the state shall be deposited in state depositories in  
9        the most prompt and cost-efficient manner available. However in the case of state  
10       departments or agencies located outside Frankfort, and all state institutions, the  
11       Finance and Administration Cabinet may permit temporary deposits to be made to  
12       the accounts maintained by the agency, department, or institution in a state  
13       depository for a period not to exceed thirty (30) days, and may require that the  
14       money be forwarded to the State Treasury at the time and in the manner and form  
15       prescribed by the cabinet. Nothing in this section shall be construed as authorizing  
16       any representative of any agency, department, or institution to enforce or cash, even  
17       for the purpose of a deposit, any check or other instrument of value payable to the  
18       Commonwealth or any agency thereof.
- 19       (3) Each agency depositing its receipts directly with the State Treasurer shall do so in  
20       the manner approved by the State Treasurer as agent in charge of public fund  
21       deposits.
- 22       (4) The Department of Revenue may deposit receipts to the credit of the State Treasury  
23       directly with a state depository utilized by the Commonwealth for its primary  
24       deposit~~[banking]~~ services. The State Treasurer, with the approval of the Finance  
25       and Administration Cabinet, may authorize other agencies to deposit receipts  
26       directly with a state depository to the credit of the State Treasury if the Treasurer  
27       prescribes the manner in which the deposit is to be made, and the forms and reports

1 to be filed with the Treasury Department. The Finance and Administration Cabinet  
2 shall prescribe the forms and reports to be filed with it when this type of deposit is  
3 made.

4 (5) Each department, agency, or other budget unit which receives funds to be deposited  
5 into the State Treasury shall maintain records to report adequately each amount  
6 received, from whom received, and date received. Agency records shall be easily  
7 reconcilable with the information forwarded to the State Treasurer.

8 ➔Section 4. KRS 41.220 is amended to read as follows:

9 (1) Not less than three (3) solvent banks or credit unions shall be designated as state  
10 depositories for state funds. Each bank or credit union designated shall have not  
11 less than the minimum capital~~stock~~ as required by the primary state or federal  
12 regulator of the bank or credit union. A bank or credit union~~Banks~~ shall be  
13 designated as a state depository~~depositories~~ for state funds upon agreement of the  
14 State Treasurer and the secretary of the Finance and Administration Cabinet. Those  
15 banks or credit unions designated shall be entered in the executive journal. If at any  
16 time it appears that the capital of any state depository has become impaired, the  
17 state's deposits shall be withdrawn and deposited with another state depository.

18 (2) The State Treasurer and the secretary of the Finance and Administration Cabinet  
19 shall determine the needs for moving state funds from one (1) designated depository  
20 to another.

21 (3) If no banks or credit unions are designated as state depositories in accordance with  
22 this section, all banks or credit unions~~as defined in KRS 41.010~~ shall be  
23 considered eligible state depositories.

24 ➔Section 5. KRS 41.240 is amended to read as follows:

25 (1) (a) Before any bank or credit union is~~shall be~~ named as a state depository to  
26 receive public funds, it shall either pledge or provide to the State Treasurer  
27 collateral having an aggregate current face value or current quoted market

1 value at least equal to the deposits as of the last business day of each quarter  
2 in which funds are so deposited or provide to the State Treasurer a surety  
3 bond or surety bonds in favor of the State Treasurer in an amount at least  
4 equal to the deposits, as of the last business day of each quarter in which  
5 funds are deposited; **except any** ~~provided, however, that~~ amounts insured by  
6 the Federal Deposit Insurance Corporation or the ~~Federal Savings and Loan~~  
7 ~~Insurance Corporation~~ **National Credit Union Administration** need not be so  
8 collateralized. The president or an executive officer of each state depository  
9 shall submit to the Treasurer and the State Investment Commission a  
10 statement subscribed and sworn to by the president or executive officer  
11 showing:

- 12 1. The face value or current quoted market value of the securities or other  
13 obligations pledged as collateral; and
- 14 2. The value of surety bonds provided as of the time such surety bonds are  
15 provided as collateral.

16 The aggregate valuation of all pledged or provided collateral shall be reported  
17 to the State Treasurer and State Investment Commission by the state  
18 depository within ten (10) days of the close of each quarter after the date of  
19 deposit. Such value with respect to pledged collateral other than surety bonds  
20 shall be as of the end of the quarter or the preceding business day and, as to  
21 surety bonds, the market values shall be obtained from a reputable bond-  
22 pricing service. The State Treasurer and Governor may from time to time call  
23 for additional collateral to adequately secure the deposits as aggregate face or  
24 current market values may require, if the value of collateral is not compliant  
25 with state law as of the report date.

- 26 (b) No deposit of state funds shall collectively exceed at any time the state  
27 depository's sum of capital, reserves, undivided profits and surplus or ten

1           percent (10%) of the total deposits of the state depository, whichever is less.  
2           For purposes of this subsection only, the value of the state deposit will be  
3           determined as of the end of the last business day of each quarter that funds are  
4           deposited.

- 5       (2)   (a)   As an alternative to subsection (1)(a) of this section, a state depository insured  
6           by the Federal Deposit Insurance Corporation or the National Credit Union  
7           Administration may either pledge to the State Treasurer, as collateral,  
8           securities, real property, or other obligations having an aggregate face value  
9           or a current quoted market value or provide to the State Treasurer a surety  
10          bond or surety bonds in an amount equal to eighty percent (80%) of the value  
11          of the state deposit including demand and time accounts, if the state  
12          depository is determined by the State Investment Commission to have very  
13          strong credit with little or no credit risk at any maturity level and the  
14          likelihood of short-term unexpected problems of significance is minimal or  
15          not of a serious or long-term nature. The value of the state deposit will be  
16          determined at the end of the business day of deposit and as of the end of  
17          business on the last day of each quarter that funds are so deposited.
- 18       (b)   Valuation of all pledged or provided collateral shall be reported to the State  
19          Treasurer and the State Investment Commission within ten (10) days of the  
20          close of each quarter after the date of deposit.
- 21       (c)   State depositories designated as qualified for reduced pledging shall be so  
22          recorded in the executive journal.
- 23       (d)   The State Investment Commission shall determine eligibility for the reduced  
24          pledging option based on totally objective and quantifiable measures of  
25          financial intermediary performance. The information for such eligibility shall  
26          be obtained from publicly available documents. The State Investment  
27          Commission shall promulgate the particular criteria of eligibility by

1 regulations issued pursuant to KRS Chapter 13A.

2 (3) State depositories which do not qualify or do not choose to qualify under subsection  
3 (1) or (2) of this section shall not receive state deposits in excess of amounts that  
4 are insured by an instrumentality of the United States.

5 (4) Only the following securities and other obligations may be accepted by the State  
6 Treasurer as collateral under this section:

7 (a) Bonds, notes, letters of credit, or other obligations of or issued or guaranteed  
8 by the United States, or those for which the credit of the United States is  
9 pledged for the payment of the principal and interest thereof, and any bonds,  
10 notes, debentures, letters of credit, or any other obligations issued or  
11 guaranteed by any federal governmental agency or instrumentality, presently  
12 or in the future established by an Act of Congress, as amended or  
13 supplemented from time to time, including, without limitation, the United  
14 States government corporations listed in KRS 66.480(1)(c);

15 (b) Obligations of the Commonwealth of Kentucky including revenue bonds  
16 issued by its statutory authorities, commissions, or agencies;

17 (c) Revenue bonds issued by educational institutions of the Commonwealth of  
18 Kentucky as authorized by KRS 162.340 to 162.380;

19 (d) Obligations of any city of the Commonwealth of Kentucky, or any county, for  
20 the payment of principal and interest on which the full faith and credit of the  
21 issuing body is pledged;

22 (e) School improvement bonds issued in accordance with the authority granted  
23 under KRS 162.080 to 162.100;

24 (f) School building revenue bonds issued in accordance with the authority  
25 granted under KRS 162.120 to 162.300, provided that the issuance of such  
26 bonds is approved by the Kentucky Board of Education;

27 (g) Surety bonds issued by sureties rated in one (1) of the three (3) highest

1 categories by a nationally recognized rating agency;

2 (h) Letters of credit issued by federal home loan banks; and

3 (i) Real property owned by the bank or credit union.

4 ➔Section 6. KRS 41.250 is amended to read as follows:

5 The execution of the bond or the pledge of the warrants or bonds required by KRS 41.240  
6 shall not diminish the liability of the Treasurer and his or her sureties upon his or her  
7 bond, nor impair or delay the right of the state to recover on the Treasurer's bond for any  
8 loss or misapplication of the public funds or other delinquency in office, nor impair or  
9 delay the right of the state to recover from any delinquent or defaulting bank or credit  
10 union, or the officers or stockholders thereof, in the same manner as other depositors.

11 ➔Section 7. KRS 41.300 is amended to read as follows:

12 There shall be a special deposit fund consisting of all money received by the state or any  
13 department or officer thereof as guarantees for the payment of any costs, charges or  
14 damages accruing or liable to accrue to the state or for the performance of any specific  
15 act, including all money deposited as bail to secure the liberation of persons accused of  
16 public offenses, all money deposited by bidders on contracts to insure their entering into  
17 contracts awarded them, and all money deposited to indemnify persons whose property  
18 may be damaged or destroyed by the operations of the depositor. All such money shall be  
19 paid to the Treasurer, in the manner provided for the deposit of public money, and shall  
20 be deposited by the Treasurer as a trust fund in a separate account in a designated state  
21 depository. The money so deposited may be returned to the depositor, if he becomes  
22 entitled to its return, without specific appropriation, allotment or authorization for  
23 expenditure therefor, in the same manner as other claims against the state may be paid, or  
24 may, upon default of any depositor and upon certificate to such effect by the  
25 administrative officer having charge of the matter, be declared by the Finance and  
26 Administration Cabinet to be forfeited in whole or in part and thereupon be transferred to  
27 the extent so forfeited to the general fund. The interest on bank or credit union deposits

1 of this fund shall accrue to the general fund.

2 ➔Section 8. KRS 30A.120 is amended to read as follows:

- 3 (1) Every clerk shall collect all fines and forfeitures imposed in District and Circuit  
4 Court, and shall issue receipts therefor.
- 5 (2) At the close of business daily the clerk in each county shall deposit in a bank or  
6 credit union designated as a state depository the proceeds from fines and  
7 forfeitures, and within three (3) working days after the first and fifteenth of each  
8 month submit to the Finance and Administration Cabinet a report listing all fines  
9 and forfeitures collected, and shall pay over to the cabinet in the manner prescribed  
10 by the cabinet at the same time all costs, fines, forfeitures, and other moneys so  
11 reported.
- 12 (3) Upon the failure of the clerk to submit to the cabinet, within the prescribed period,  
13 the required report and to pay over, at the same time, the costs, fines, forfeitures and  
14 other moneys collected, the cabinet shall immediately notify the Auditor of Public  
15 Accounts that the clerk concerned is delinquent in the matter.

16 ➔Section 9. KRS 30A.200 is amended to read as follows:

17 All moneys which are deposited with the clerk and which are payable to a third person,  
18 not the Commonwealth, or which may become payable to such third person as a result of  
19 court action or otherwise shall:

- 20 (1) Be logged in the appropriate record of the clerk and the person paying or depositing  
21 the money shall be given a receipt;
- 22 (2) Be deposited daily in a bank or credit union approved as a state depository~~[-bank]~~  
23 in a special escrow account or accounts subject to the clerk's withdrawal as required  
24 in the daily course of the clerk's business or as may be ordered by a court; and
- 25 (3) Not be subject to the provisions of KRS Chapter 41 relating to the deposit of money  
26 in the State Treasury until by action of a court, such as forfeiture of a bond, the  
27 money is due and owing to the Commonwealth.