

HCS SCS SB 270 -- DUTIES OF THE STATE TREASURER AND THE LINKED DEPOSIT PROGRAM

This bill changes the laws regarding the duties of the State Treasurer and the Linked Deposit Program. In its main provisions, the bill:

(1) Defines the terms "market rate," "unencumbered," and "well capitalized";

(2) Changes the definition of "eligible agribusiness" and "eligible beginning farmer";

(3) Adds the definition of "eligible facility borrower" which is a borrower qualified for a reduced rate linked deposit loan;

(4) Specifies that any written contract between the State Treasurer and a depository of state funds is limited to five years or less. When investing state funds, due consideration will be given to the benefits to the economy and the welfare of the people of Missouri and to the aggregate return in earnings and taxes on the deposits;

(5) Allows the State Treasurer to include as acceptable securities for state deposits mortgage securities, including qualified individual loans secured by deeds of trust on residential, commercial, or farm real estate. These loans underwritten and offered by financial institutions will conform with standards established by the State Treasurer and the Federal Home Loan Bank of Des Moines, Iowa. All financial institutions pledging securities will report monthly to the State Treasurer ensuring that they meet collateral requirements. Acceptable securities also include notes, bonds, debentures from farm or agricultural credit banks, and any investment in which the State Treasurer may invest. These two additions are not authorized for political subdivisions;

(6) Allows the State Treasurer to enter into agreements with private entities to provide services relating to his or her duties;

(7) Raises from \$360 million to \$720 million the amount that the State Treasurer may invest of aggregate deposits for linked deposits to eligible farming operations, agribusinesses, beginning farmers, and livestock operations; doubles the current individual amounts which may be invested in linked deposits; and removes a provision that limits the State Treasurer's ability to commingle allocations among the types of linked deposits;

(8) Allows the State Treasurer to determine the dollar amount of deposits made to certain eligible agribusinesses. Beginning August 28, 2005, lending institutions will give consideration to

eligible borrowers who have not previously received linked deposits; however, nothing prohibits a lending institution from making a linked deposit loan to any entity that has previously received a linked deposit;

(9) Authorizes the State Treasurer to place linked deposits with a lending institution at certain below-market rates, but not below 1%. A good faith effort will be made to place loans with eligible minority- or female-owned entities. All linked deposit rates are determined by the State Treasurer. The deposit agreement will specify that the original deposit plus renewals will not exceed five years. The lending institution must repay the State Treasurer any linked deposit principal received from the borrower in the previous year. If the linked deposit is tied to a revolving line of credit agreement, it will be excluded from the repayment provisions of this section;

(10) Prohibits the State Treasurer from investing in any new linked deposit with any new eligible facility borrower after January 1, 2020;

(11) Creates two new categories of eligible facility borrowers that may participate in the linked deposit program. The new categories are a development facility which produces goods derived from an agricultural commodity or product and a renewable fuel production facility which produces an energy source derived from a renewable domestically grown organic compound capable of powering machinery;

(12) Removes Section 30.247, RSMo, which requires any bank account with an average daily balance of \$10,000 or more to be obtained through an open and competitive bid process; and

(13) Creates the State Treasurer's General Operations Fund to be used for the operational expenses of the office. The State Treasurer will determine daily the interest earned from investments of all state funds, except those of the Department of Transportation. Costs incurred for the administration of these funds will be deducted from this interest and deposited into the operations fund.

The bill contains an emergency clause.