

HCS HB 883 -- INVESTMENTS BY THE STATE TREASURER (Flook)

COMMITTEE OF ORIGIN: Committee on Financial Institutions

This substitute changes the laws regarding the State Treasurer's asset allocation plan which limits the total amount of state moneys that may be invested in any particular investment authorized by Section 15, Article IV of the Missouri Constitution. In its main provisions, the substitute:

- (1) Requires the plan to establish diversification limits including a restriction limiting the total amount of time deposits of state moneys, not including linked deposits, placed with any one single banking institution to be no greater than 10% of all time deposits of state moneys;
- (2) Requires, beginning January 1, 2010, the rate of interest payable by all banking institutions on time deposits, other than linked deposits, to be at least the average rate paid during the week next preceding the week in which the deposit was made for United States Treasury securities maturing and becoming payable closest to the time of termination of the deposit on the first \$7 million deposited. The rate of interest on any deposits in excess of the \$7 million will be set at the market rate as specified in Section 30.260.6, RSMo. The \$7 million amount will decrease by \$2 million annually until January 1, 2014, when it reaches zero and the rate of interest on all deposits will be the market rate. Currently, the rate of interest must be the same as the average rate;
- (3) Allows bonds or other obligations of certain political subdivisions to be acceptable securities for moneys deposited by the State Treasurer in approved banks or financial institutions. Currently, certain political subdivisions can only use bonds;
- (4) Prohibits United States Treasury securities and United States Federal Agency debentures issued by Fannie Mae, Freddie Mac, Federal Home Loan Bank, or Federal Farm Credit Bank valued at market and deposited as collateral from exceeding 105% of the aggregate amount of time deposits and demand deposits. All other securities, except as noted elsewhere, cannot exceed 115% of the aggregated amount of the time deposits and demand deposits;
- (5) Allows eligible multitenant development enterprises, alternative energy consumers, and governmental entities as specified in Section 30.750 to acquire a loan through the Linked Deposit Program;
- (6) Expands the definition of "eligible job enhancement business" to include when the applicant can demonstrate

significant costs for equipment, capital outlay, or capital improvements associated with the physical expansion, renovation, or modernization of a facility or equipment. The maximum amount of the linked deposit cannot exceed \$50,000 per job created or retained plus the initial cost of the physical expansion, renovation, or capital outlay; and

(7) Increases the number of employees in the definition of "eligible small business" from less than 25 to less than 100.

FISCAL NOTE: No impact on state funds in FY 2010, FY 2011, and FY 2012.