

SECOND REGULAR SESSION
HOUSE COMMITTEE SUBSTITUTE FOR
HOUSE BILL NO. 2206
100TH GENERAL ASSEMBLY

4792H.02C

DANA RADEMAN MILLER, Chief Clerk

AN ACT

To repeal sections 30.260, 30.753, and 30.758, RSMo, and to enact in lieu thereof three new sections relating to the state treasurer.

Be it enacted by the General Assembly of the state of Missouri, as follows:

Section A. Sections 30.260, 30.753, and 30.758, RSMo, are repealed and three new sections enacted in lieu thereof, to be known as sections 30.260, 30.753, and 30.758, to read as follows:

30.260. 1. The state treasurer shall prepare, maintain and adhere to a written investment policy which shall include an asset allocation plan, which limits the total amount of state moneys which may be invested in any particular investment authorized by Section 15, Article IV of the Missouri Constitution. Such asset allocation plan shall also set diversification limits, as applicable, which shall include 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 ~~ten~~ **fifteen** percent of all time deposits of state moneys **authorized under the asset allocation plan**. The state treasurer shall present a copy of such policy to the governor, commissioner of administration, state auditor and general assembly at the commencement of each regular session of the general assembly or at any time the written investment policy is amended.

2. The state treasurer shall determine by the exercise of the treasurer's best judgment the amount of state moneys that are not needed for current operating expenses of the state government and shall keep on demand deposit in banking institutions in this state selected by the treasurer and approved by the governor and state auditor the amount of state moneys which the treasurer has so determined are needed for current operating expenses of the state government and disburse the same as authorized by law.

EXPLANATION — Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted from the law. Matter in **bold-face** type in the above bill is proposed language.

18 3. Within the parameters of the state treasurer's written investment policy, the state
19 treasurer shall place the state moneys which the treasurer has determined are not needed for
20 current operations of the state government on time deposit drawing interest in banking
21 institutions in this state selected by the treasurer and approved by the governor and the state
22 auditor, or place them outright or, if applicable, by repurchase agreement in obligations described
23 in Section 15, Article IV, Constitution of Missouri, as the treasurer in the exercise of the
24 treasurer's best judgment determines to be in the best overall interest of the people of the state
25 of Missouri, giving due consideration to:

26 (1) The preservation of such state moneys;

27 (2) The benefits to the economy and welfare of the people of Missouri when such state
28 money is invested in banking institutions in this state that, in turn, provide additional loans and
29 investments in the Missouri economy and generate state taxes from such initial investments and
30 the loans and investments created by the banking institutions, compared to the removal or
31 withholding from banking institutions in the state of all or some such state moneys and investing
32 same in obligations authorized in Section 15, Article IV of the Missouri Constitution;

33 (3) The liquidity needs of the state;

34 (4) The aggregate return in earnings and taxes on the deposits and the investment to be
35 derived therefrom; and

36 (5) All other factors which to the treasurer as a prudent state treasurer seem to be
37 relevant to the general public welfare in the light of the circumstances at the time prevailing. The
38 state treasurer may also place state moneys which are determined not needed for current
39 operations of the state government in linked deposits as provided in sections 30.750 to 30.765.

40 4. Except for state moneys deposited in linked deposits as provided in sections 30.750
41 to 30.860, the rate of interest payable by all banking institutions on time deposits of state moneys
42 shall be set under subdivisions (1) to (5) of this subsection and subsections 6 and 7 of this
43 section. The rate shall never exceed the maximum rate of interest which by federal law or
44 regulation a bank which is a member of the Federal Reserve System may from time to time pay
45 on a time deposit of the same size and maturity. The rate of interest payable by all banking
46 institutions on time deposits of state moneys is as follows:

47 (1) Beginning January 1, 2010, the rate of interest payable by a banking institution on
48 up to seven million dollars of time deposits of state moneys shall be the same as the average rate
49 paid during the week next preceding the week in which the deposit was made for United States
50 of America treasury securities maturing and becoming payable closest to the time of termination
51 of the deposit, as determined by the state treasurer, adjusted to the nearest one-tenth of a percent.
52 In the case of a banking institution that holds more than seven million dollars of time deposits
53 of state moneys, the rate of interest payable on deposits in excess of seven million dollars of time

54 deposits of state moneys shall be set at the market rate as determined in subsection 6 of this
55 section;

56 (2) Beginning January 1, 2011, the rate of interest payable by a banking institution on
57 up to five million dollars of time deposits of state moneys shall be the same as the average rate
58 paid during the week next preceding the week in which the deposit was made for United States
59 of America treasury securities maturing and becoming payable closest to the time of termination
60 of the deposit, as determined by the state treasurer, adjusted to the nearest one-tenth of a percent.
61 In the case of a banking institution that holds more than five million dollars of time deposits of
62 state moneys, the rate of interest payable on deposits in excess of five million dollars of time
63 deposits of state moneys shall be set at the market rate as determined in subsection 6 of this
64 section;

65 (3) Beginning January 1, 2012, the rate of interest payable by a banking institution on
66 up to three million dollars of time deposits of state moneys shall be the same as the average rate
67 paid during the week next preceding the week in which the deposit was made for United States
68 of America treasury securities maturing and becoming payable closest to the time of termination
69 of the deposit, as determined by the state treasurer, adjusted to the nearest one-tenth of a percent.
70 In the case of a banking institution that holds more than three million dollars of time deposits of
71 state moneys, the rate of interest payable on deposits in excess of three million dollars of time
72 deposits of state moneys shall be set at the market rate as determined in subsection 6 of this
73 section;

74 (4) Beginning January 1, 2013, the rate of interest payable by a banking institution on
75 up to one million dollars of time deposits of state moneys shall be the same as the average rate
76 paid during the week next preceding the week in which the deposit was made for United States
77 of America treasury securities maturing and becoming payable closest to the time of termination
78 of the deposit, as determined by the state treasurer, adjusted to the nearest one-tenth of a percent.
79 In the case of a banking institution that holds more than one million dollars of time deposits of
80 state moneys, the rate of interest payable on deposits in excess of one million dollars of time
81 deposits of state moneys shall be set at the market rate as determined in subsection 6 of this
82 section;

83 (5) Beginning January 1, 2014, the rate of interest payable by a banking institution on
84 all time deposits of state moneys shall be set at the market rate as determined in subsection 6 of
85 this section.

86 5. Notwithstanding subdivisions (1) to (5) of subsection 4 of this section, for any new
87 time deposits of state moneys placed after January 1, 2010, with a term longer than eighteen
88 months, the rate of interest payable by a banking institution shall be set at the market rate as
89 determined in subsection 6 of this section.

90 6. Market rate shall be determined no less frequently than once a month by the director
91 of investments in the office of state treasurer. The process for determining a market rate shall
92 include due consideration of prevailing rates offered for certificates of deposit by
93 well-capitalized Missouri financial institutions, the advance rate established by the Federal Home
94 Loan Bank of Des Moines for member institutions and the costs of collateralization, as well as
95 an evaluation of the credit risk associated with other authorized securities under Section 15,
96 Article IV, of the Missouri Constitution **or any other calculation determined by the state**
97 **treasurer based on current market investment indicators.** Banking institutions may also
98 offer a higher rate than the market rate for any time deposit placed with the state treasurer in
99 excess of the total amount of state moneys set at the United States of America treasury securities
100 maturing and becoming payable closest to the time of termination of the deposit indicated in
101 subdivisions (1) to (5) of subsection 4 of this section.

102 7. Within the parameters of the state treasurer's written investment policy, the state
103 treasurer may subscribe for or purchase outright or by repurchase agreement investments of the
104 character described in subsection 3 of this section which the treasurer, in the exercise of the
105 treasurer's best judgment, believes to be the best for investment of state moneys at the time and
106 in payment therefor may withdraw moneys from any bank account, demand or time, maintained
107 by the treasurer without having any supporting warrant of the commissioner of administration.
108 The state treasurer may bid on subscriptions for such obligations in accordance with the
109 treasurer's best judgment. The state treasurer shall provide for the safekeeping of all such
110 obligations so acquired in the same manner that securities pledged to secure the repayment of
111 state moneys deposited in banking institutions are kept by the treasurer pursuant to law. The
112 state treasurer may hold any such obligation so acquired by the treasurer until its maturity or
113 prior thereto may sell the same outright or by reverse repurchase agreement provided the state's
114 security interest in the underlying security is perfected or temporarily exchange such obligation
115 for cash or other authorized securities of at least equal market value with no maturity more than
116 one year beyond the maturity of any of the traded obligations, for a negotiated fee as the
117 treasurer, in the exercise of the treasurer's best judgment, deems necessary or advisable for the
118 best interest of the people of the state of Missouri in the light of the circumstances at the time
119 prevailing. The state treasurer may pay all costs and expenses reasonably incurred by the
120 treasurer in connection with the subscription, purchase, sale, collection, safekeeping or delivery
121 of all such obligations at any time acquired by the treasurer.

122 8. As used in this chapter, except as more particularly specified in section 30.270,
123 obligations of the United States shall include securities of the United States Treasury, and United
124 States agencies or instrumentalities as described in Section 15, Article IV, Constitution of
125 Missouri. The word "temporarily" as used in this section shall mean no more than six months.

30.753. 1. The state treasurer may invest in linked deposits; however, the total amount
2 so deposited at any one time shall not exceed, in the aggregate, ~~[seven]~~ **eight** hundred ~~[twenty]~~
3 million dollars. No more than three hundred thirty million dollars of the aggregate deposit shall
4 be used for linked deposits to eligible farming operations, eligible locally owned businesses,
5 eligible agribusinesses, eligible beginning farmers, eligible livestock operations, and eligible
6 facility borrowers~~;~~ ; no more than one hundred ~~[ten]~~ **ninety** million of the aggregate deposit
7 shall be used for linked deposits to small businesses~~;~~ ; no more than twenty million dollars
8 shall be used for linked deposits to eligible multitenant development enterprises~~;~~ ~~and~~ ; no more
9 than twenty million dollars of the aggregate deposit shall be used for linked deposits to eligible
10 residential property developers and eligible residential property owners~~;~~ ; no more than two
11 hundred twenty million dollars of the aggregate deposit shall be used for linked deposits to
12 eligible job enhancement businesses; and no more than twenty million dollars of the aggregate
13 deposit shall be used for linked deposit loans to eligible water systems. Linked deposit loans
14 may be made to eligible student borrowers, eligible alternative energy operations, eligible
15 alternative energy consumers, and eligible governmental entities from the aggregate deposit. If
16 demand for a particular type of linked deposit exceeds the initial allocation, and funds initially
17 allocated to another type are available and not in demand, the state treasurer may commingle
18 allocations among the types of linked deposits.

19 2. The minimum deposit to be made by the state treasurer to an eligible lending
20 institution for eligible job enhancement business loans shall be ninety thousand dollars. Linked
21 deposit loans for eligible job enhancement businesses may be made for the purposes of assisting
22 with relocation expenses, working capital, interim construction, inventory, site development,
23 machinery and equipment, or other expenses necessary to create or retain jobs in the recipient
24 firm.

30.758. 1. The state treasurer may accept or reject a linked deposit loan package or any
2 portion thereof.

3 2. The state treasurer shall make a good faith effort to ensure that the linked deposits are
4 placed with eligible lending institutions to make linked deposit loans to minority- or female-
5 owned eligible multitenant enterprises, eligible farming operations, eligible alternative energy
6 operations, eligible alternative energy consumers, eligible locally owned businesses, eligible
7 small businesses, eligible job enhancement businesses, eligible marketing enterprises, eligible
8 residential property developers, eligible residential property owners, eligible governmental
9 entities, eligible agribusinesses, eligible beginning farmers, eligible livestock operations, eligible
10 student borrowers, eligible facility borrowers, or eligible water supply systems. Results of such
11 effort shall be included in the linked deposit review committee's annual report to the governor.

12 3. Upon acceptance of the linked deposit loan package or any portion thereof, the state
13 treasurer may place linked deposits with the eligible lending institution as follows: when market
14 rates are five percent or above, the state treasurer shall reduce the market rate by up to three
15 percentage points to obtain the linked deposit rate; when market rates are less than five percent,
16 the state treasurer shall reduce the market rate by up to sixty percent to obtain the linked deposit
17 rate. All linked deposit rates are determined and calculated by the state treasurer. When
18 necessary, the treasurer may place linked deposits prior to acceptance of a linked deposit loan
19 package.

20 4. The eligible lending institution shall enter into a deposit agreement with the state
21 treasurer, which shall include requirements necessary to carry out the purposes of sections 30.750
22 to 30.765. The deposit agreement shall specify the length of time for which the lending
23 institution will lend funds upon receiving a linked deposit, and the original deposit plus renewals
24 shall not exceed five years, except as otherwise provided in this chapter. The agreement shall
25 also include provisions for the linked deposit of a linked deposit for an eligible facility borrower,
26 eligible multitenant enterprise, eligible farming operation, eligible alternative energy operation,
27 eligible alternative energy consumer, eligible locally owned business, eligible small business,
28 eligible marketing enterprise, eligible residential property developer, eligible residential property
29 owner, eligible governmental entity, eligible agribusiness, eligible beginning farmer, eligible
30 livestock operation, eligible student borrower or job enhancement business. Interest shall be paid
31 at the times determined by the state treasurer.

32 5. The period of time for which such linked deposit is placed with an eligible lending
33 institution shall be neither longer nor shorter than the period of time for which the linked deposit
34 is used to provide loans at reduced interest rates. The agreement shall further provide that the
35 state shall receive market interest rates on any linked deposit or any portion thereof for any
36 period of time for which there is no corresponding linked deposit loan outstanding to an eligible
37 multitenant enterprise, eligible farming operation, eligible alternative energy operation, eligible
38 alternative energy consumer, eligible locally owned business, eligible small business, eligible
39 job enhancement business, eligible marketing enterprise, eligible residential property developer,
40 eligible residential property owner, eligible governmental entity, eligible agribusiness, eligible
41 beginning farmer, eligible livestock operation, eligible student borrower, eligible facility
42 borrower, or eligible water supply system, except as otherwise provided in this subsection.
43 Within thirty days after the annual anniversary date of the linked deposit, the eligible lending
44 institution shall repay the state treasurer any linked deposit principal received from borrowers
45 in the previous yearly period and thereafter repay such principal within thirty days of the yearly
46 anniversary date calculated separately for each linked deposit loan, and repaid at the linked
47 deposit rate. Such principal payment shall be accelerated when more than thirty percent of the

48 linked deposit loan is repaid within a single monthly period. Any principal received and not
49 repaid, up to the point of the thirty percent or more payment, shall be repaid within thirty days
50 of that payment at the linked deposit rate. Finally, when the linked deposit is tied to a revolving
51 line of credit agreement between the banking institution and its borrower, the full amount of the
52 line of credit shall be excluded from the repayment provisions of this subsection.

53 **6. The state treasurer shall give priority to maintaining linked deposit agreement**
54 **renewals over funding new linked deposit applications.**

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