

HCS HB 468 -- DUTIES OF THE STATE TREASURER AND THE LINKED DEPOSIT PROGRAM (Richard)

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

- (1) Defines the terms "market rate," "unencumbered," and "well capitalized";
- (2) Specifies that any written contract between the State Treasurer and a depository of state funds is limited to five years or less. Due consideration will be given when investing state funds as to the benefits to the economy and welfare of the people of Missouri and to the aggregate return in earnings and taxes on these deposits;
- (3) 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 any investment in which the State Treasurer may invest. These two additions are not authorized for political subdivisions;
- (4) Allows the State Treasurer to enter into agreements with private entities to provide services relating to his or her duties;
- (5) Allows state funds to be deposited into any banking institution where the State Treasurer, the Governor, or the State Auditor owns stock or is an officer or employee of the bank if the state official discloses the ownership of the stock or employment;
- (6) Changes the definition of "eligible agribusiness" and "eligible beginning farmer";
- (7) Adds the definition of an "eligible facility borrower" which is a borrower qualified for a reduced rate linked deposit loan;
- (8) 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 can be invested in linked deposits; and removes language that limits the State Treasurer's ability to commingle allocations among the types of linked deposits;

(9) 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;

(10) Authorizes the State Treasurer to place linked deposits with a lending institution at certain below-market rates, but not below 1%. 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;

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

(12) Creates two new categories of eligible facility borrowers that can 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;

(13) 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;

(14) Creates the State Treasurer's General Operations Fund to be used to pay for the operational expenses of the State Treasurer; and

(15) Requires the State Treasurer to determine daily the interest earned from investments of all state funds. Costs incurred by the State Treasurer for administration of these funds will be deducted from this interest and used to fund the First Steps Program in the Department of Elementary and Secondary Education.

The substitute contains an emergency clause.

FISCAL NOTE: Estimated Effect on General Revenue Fund of an Income of \$0 in FY 2006, a Cost of \$72,798 to \$92,798 in FY 2007, and a Cost of \$73,654 to \$93,654 in FY 2008. Estimated Cost on Other State Funds of Up to \$979,934 in FY 2006, FY 2007, and FY

2008.