

HCS HB 1879 -- PUBLIC ENTITY FINANCES

SPONSOR: Fraker

COMMITTEE ACTION: Voted "Do Pass with HCS" by the Standing Committee on Financial Institutions by a vote of 10 to 0. Voted "Do Pass" by the Rules- Legislative Oversight Committee by a vote of 12 to 0.

This bill modifies several provisions relating to financial transactions by public entities.

SECURITY-COLLATERAL LIST

Currently, the State Treasurer and the Treasurer of the City of St. Louis are limited in the securities they may require as collateral from banks or financial institutions selected and approved for the safekeeping and payment of deposits. With regard to out-of-state municipal bonds, it must be determined that the bonds are rated in the highest category by at least one nationally recognized statistical rating agency to be qualified as collateral. This bill changes that standard to require the bonds to be rated "investment grade" by at least one such agency (Sections 30.270 and 95.530, RSMo).

The bill further adds brokered or negotiable certificates of deposit that are fully insured by the FDIC to the collateral list.

INVESTMENT OF PUBLIC FUNDS

Currently, any public entity or political subdivision may invest public funds if, among other things, on the same date that the public funds are deposited the financial institution also receives an amount of deposits from other financial institutions equal to the amount of the public funds deposited. This bill repeals this requirement (Section 67.085).

DEPOSITARIES FOR PUBLIC FUNDS

Current law provides restrictions on the security of the public funds of specific political subdivisions. This bill stipulates that the requirements apply to all political subdivisions of the state. Furthermore, the bill also allows banks serving as a depository for public funds to invest in the same manner as the State Treasurer is constitutionally permitted (Sections 110.010 and 110.070).

The bill provides that all public governing boards that have the management, use, or custody of any public funds on or before the

first Monday in July in the year in which a bid is requested are required to receive sealed proposals from authorized banks in any political subdivision in which the public institution is located.

CERTIFIED CHECK REQUIREMENTS

Current law requires certain bids made by banks, associations, or trust companies to be accompanied by a certified check. This bill repeals those requirements (Sections 110.080, 110.140, 165.221, 165.231, and 165.271).

This bill is similar to SB 769 (2018).

PROPONENTS: Supporters say that this bill updates and modernizes our public entity finance statutes, which will create efficiencies in banking and investment of public funds. This bill will also reduce administrative hassle and burden.

Testifying for the bill were Representative Fraker; Missouri Bankers Association; and the Heartland Credit Union Association.

OPPONENTS: There was no opposition voiced to the committee.

OTHERS: Others testifying on the bill say that the State Treasurer's Office currently gets many questions about what is proper collateral for a banking institution, so a clarification in statute could mean less questions for the State Treasurer's Office and many municipalities.

Testifying on the bill was the State Treasurer's Office.