

MAINE STATE LEGISLATURE

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SECOND REGULAR SESSION

ONE HUNDRED AND EIGHTH LEGISLATURE

Legislative Document

No. 2061

H. P. 1975

House of Representatives, January 12, 1978

Presented by Mr. Martin of Eagle Lake.

EDWIN H. PERT, Clerk

The Committee on State Government suggested. Approved for introduction by the Legislative Council pursuant to Joint Rule 24.

STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED
SEVENTY-EIGHT

**AN ACT to Improve the Short-term Investment Capabilities and Debt
Management of the State.**

Be it enacted by the People of the State of Maine, as follows:

Sec. 1. 5 MRSA § 121, 1st sentence, is amended to read:

The Treasurer of State shall keep his office at the seat of government and give the bond required by the Constitution to the State of Maine, with 2 or more surety companies authorized to transact business therein, as sureties, in the penal sum of not less than ~~\$500,000~~ \$1,000,000.

Sec. 2. 5 MRSA § 133-A is enacted to read:

§ 133-A. Municipal investment management

Notwithstanding any other provisions of this chapter or Title 30, the Treasurer of State is authorized to enter into agreements with municipalities, counties or their agent to provide investment management services for municipal funds. The funds shall be deemed to be funds of the participating municipalities or counties even though physically in the custody of the Treasurer of State and shall not be subject to the withholding provisions of section 133. The Treasurer of State shall

keep whatever records are necessary and shall make regular reports regarding his investment activities to the participants or their agent. The Treasurer of State shall post a bond to ensure the faithful performance of his duties in the amount of \$500,000. The cost of the bond shall be borne by fees paid by the participating municipalities and counties. Eligible securities for investment shall be those approved for investment of state funds under section 135.

Sec. 3. 5 MRSA § 135, 1st ¶, as last amended by PL 1977, c. 197, § 1, is repealed and the following enacted in its place:

The Treasurer of State may deposit moneys, including trust funds of the State, in any of the banking institutions or trust companies or state or federal savings and loan associations or mutual savings banks organized under the laws of this State or in any national bank or banks or state or federal savings and loan associations located therein. When there are excess moneys in the State Treasury which are not needed to meet current obligations, he may, with the concurrence of the State Controller or the Commissioner of Finance and Administration, and with the consent of the Governor, invest these amounts. Eligible securities for the investment of surplus moneys shall be:

1. Maturity not more than 24 months. Bonds, notes, certificates of indebtedness or other obligations of the United States which mature not more than 24 months from the date of investment, repurchase agreements secured by obligations of the United States which mature within the succeeding 24 months;

2. Debt-issuing agencies of the Federal Government. Bonds, notes or certificates of indebtedness of debt-issuing agencies of the Federal Government, not to exceed 20% of the Treasurer of State's short-term investment portfolio;

3. Commercial paper. Prime commercial paper and the commercial paper of Central Maine Power Company;

4. Banker's acceptances. Bills of exchange or time drafts drawn on and accepted by a commercial bank of national financial prominence, otherwise known as banker's acceptances, not to exceed 10% of the Treasurer of State's short-term investment portfolio;

5. Treasurer of State; participation. The Treasurer of State may participate in the securities loan market by loaning state-owned bonds, notes or certificates of indebtedness of the Federal Government provided that the loans are fully collateralized by treasury bills or cash. The loans shall not exceed 10% of the Treasurer of State's short-term investment portfolio; and

6. Certificates of deposit. The Treasurer of State may, subject to the conditions of the following paragraph, buy, pledge or sell certificates of deposit. The Treasurer of State shall seek competitive bids for investments except when,

after a reasonable investigation, it appears that an investment of the desired maturity is procurable by the State from only one source. Interest earned on the investments of moneys shall be credited to the respective funds, except that interest earned on investments of special revenue funds shall be credited to the General Fund of the State. Interest earned on funds of the Department of Inland Fisheries and Wildlife shall be in lieu of any office rental charges made by the General Fund. This section shall not prevent the deposit for safekeeping or custodial care of the securities of the several funds of the State in banks or safe deposit companies in this State or any other state, nor the deposit of such state funds as may be required by the terms of custodial contracts or agreements as may be hereafter negotiated in accordance with the laws of this State. All custodial contracts and agreements shall be subject to the approval of the Governor.

Sec. 4. 5 MRSA § 1031, sub-§ 1, 1st sentence, as amended by PL 1975, c. 622, § 7, is further amended to read:

The responsibility for the proper operation of the retirement system and for making this chapter effective are vested in a board of 7-8 trustees.

Sec. 5. 5 MRSA § 1031, sub-§ 1, 4th sentence, as amended by PL 1975, c. 771, § 58, is further amended to read:

The board, as heretofore established, shall consist of **the Treasurer of State**; a member duly elected by the Maine Teachers' Association; a member duly elected by the Maine State Employees' Association; 3 persons appointed by the Governor, and subject to review by the Joint Standing Committee on Veterans and Retirement and to confirmation by the Legislature at least 2 of whom shall be qualified through training or experience in the field of investments, accounting, banking, insurance or law, and one of whom shall be selected from a list of 3 nominees submitted by the Maine Retired Teachers' Association; a person who is a member of the Maine State Retirement System through a participating local district and whom shall be appointed by the governing body of the Maine Municipal Association; a person who is the recipient of a retirement allowance through the Maine State Retirement System and who shall be selected by the foregoing members of the board of trustees from a list or lists or nominees submitted by retired state employees and retired participating local district employees, or by a committee comprised on of representatives of said groups.

Sec. 6. 5 MRSA § 1031, sub-§ 1, 5th sentence, as amended by PL 1975, c. 622, § 7, is further amended to read:

Each member of the board, **except the Treasurer of State**, shall serve for a term of 3 years, provided that of those members appointed on the expiration of the terms of the present members: The Term of the Maine Teachers' Association

representative, the Maine State Employees' Association representative and one public representative, as designated by the Governor on appointment, shall expire on December 31, 1978; the term of the Maine Municipal Association representative and the Maine Retired Teachers' Association representative, as appointed by the Governor, shall expire on December 31, 1977; and the term of the retirement beneficiary representative and one public representative, as designated by the Governor on appointment, shall expire on December 31, 1976.

Sec. 7. 22 MRSA § 2054, sub-§ 1, 3rd sentence, as amended by PL 1975, c. 771, § 217, is further amended to read:

Said authority shall consist of ~~10~~ 11 members, one of whom shall be the Bank Superintendent, ex officio, one of whom shall be the Commissioner of Human Services, ex officio, **one of whom shall be the Treasurer of State, ex officio**, and 8 of whom shall be residents of the State appointed by the Governor, not more than 4 of such appointed members to be members of the same political party.

Sec. 8. 22 MRSA § 2054, sub-§ 1, last sentence, as amended by PL 1973, c. 585, § 11, is further amended to read:

The Bank Superintendent, **the Treasurer of State** and the Commissioner of Human Services may designate their deputies or any member of their staffs to represent them as members at meetings of the authority with full power to act and vote in their behalf.

Sec. 9. 30 MRSA § 4602, sub-§ 2, ¶ B, 1st 2 sentences, as last amended by PL 1975, c. 771, § 326, are further amended to read:

The state authority shall have ~~6~~ 7 commissioners, 5 of whom shall be appointed by the Governor **and one of whom shall be the Treasurer of State**. The ~~6th~~ 7th commissioner shall be the director of the state authority serving ex officio, who shall be chairman of the commissioners.

Sec. 10. 30 MRSA § 4602, sub-§ 2, ¶ D, 2nd sentence, as repealed and replaced by PL 1975, c. 770, § 175, is amended to read:

Each commissioner, except for the director **and the Treasurer of State**, and each advisory board member shall serve a 4-year term commencing with the expiration of the term of his predecessor, provided that a vacancy occurring in such a position prior to the normal expiration of the appointment shall be filled as soon as practicable by a new gubernatorial appointee who shall serve for the balance of the unexpired term.

Sec. 11. Appropriation. The following funds shall be appropriated from the General Fund to carry out the purposes of this Act:

	1978-79
TREASURY DEPARTMENT	
All Other	\$ 7,000
Capital Expenditures	7,500
	<hr style="width: 100px; margin-left: auto; margin-right: 0;"/>
	\$14,500

Fiscal Note

The appropriation and terms of this bill will improve the short-term investment capabilities and debt management of the State. This will result in additional earnings and debt service cost savings far in excess of the costs involved.

STATEMENT OF FACT

This bill will expand the permissible short-term investment capabilities of the State to a wider, yet still prudent and conservative range of investment instruments. This will increase earnings to all funds. It provides the municipalities and counties the opportunity to participate in the Treasurer of State's cash pool program. It will put the Treasurer of State on 3 additional boards that issue debt. At present, the Treasurer of State sits on the bond banks, the Maine Guarantee Authority and the Combined Trust Investment Committee. Since the credit rating of the State rests upon the overall prudent management of debt and investment of funds, at least one central officer closely involved with this responsibility should be on all of these boards. This step is recommended by bond counsel serving the State. The appropriation will provide funds and authorization for the utilization of the State's existing computer, in conjunction with up to the minute investment information to maximize the interest return on idle cash investments. The bill also provides for an increase in the amount of the Treasurer of State's bond.