MAINE STATE LEGISLATURE

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(EMERGENCY) SECOND REGULAR SESSION
ONE HUNDRED AND TWELFTH LEGISLATURE
Legislative Document No. 2176
S.P. 862 In Senate, March 11, 1986
Submitted by the Treasury Department pursuant to Joint Rule 24. Referred to the Committee on State Government. Sent down for concurrence and ordered printed.
JOY J. O'BRIEN, Secretary of the Senate Presented by Senator Violette of Aroostook. Cosponsored by Representative Gwadosky of Fairfield and Representative Cote of Auburn.
STATE OF MAINE
IN THE YEAR OF OUR LORD NINETEEN HUNDRED AND EIGHTY-SIX
AN ACT to Authorize the Treasurer of State to Temporarily Invest Excess Money Including Unspent Bond Proceeds in Tax-exempt Obligations.
Emergency preamble. Whereas, Acts of the Legis- lature do not become effective until 90 days after adjournment unless enacted as emergencies; and
Whereas, the United States House of Representatives has passed H.R. 3838, the "Tax Reform Act of 1985," which, if enacted into law in its current form, will require rebating to the Federal Government of arbitrage earned by states on the investment of the proceeds of issued bonds prior to expenditure; and
Whereas, the Treasurer of State currently has approximately \$23,000,000 of unspent bond proceeds subject to H.R. 3838; and

Whereas, H.R. 3838 exempts investments of unspent bond proceeds in tax-exempt obligations from arbitrage rebate requirements; and

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Whereas, the Treasurer of State currently may not invest unspent bond proceeds in tax-exempt obligations; and

Whereas, in the judgment of the Legislature, these facts create an emergency within the meaning of the Constitution of Maine and require the following legislation as immediately necessary for the preservation of the public peace, health and safety; now, therefore,

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

5 MRSA §135, first ¶, as amended by PL 1985, c. 501, Pt. B, §14, is further amended to read:

Treasurer of State may deposit the moneys money, 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. there are is excess moneys money in the State sury which are is 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, such amounts in bonds, notes, certificates of indebtedness or other obligations of the United States of America which mature not more than 24 months from the date of investment or in repurchase agreements secured by obligations of the United States of America which mature within the succeeding 24 months, prime commercial paper, tax-exempt obligations or banker's acceptances. The Treasurer of State may participate in the securities loan market by loaning state-owned bonds, notes or certificates of indebtedness of Federal Government, provided that the loans are fully collateralized by treasury bills or cash. The Treasurer of State shall seek competitive bids for

vestments except when, after a reasonable investigation, it appears that an investment of the desired maturity is procurable by the State from only one Interest earned on such investments of source. meneys money shall be credited to the respective funds, except that interest earned on investments of special revenue funds shall be credited to the Gener-Fund of the State. Interest earned on funds of al the Department of Inland Fisheries and Wildlife shall be credited to that fund. Interest earned on funds of the Baxter State Park Authority shall be credited to State Park Fund. This section shall not the Baxter 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.

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Emergency clause. In view of the emergency cited in the preamble, this Act shall take effect when approved.

STATEMENT OF FACT

This bill allows the Treasurer of State, with the concurrence of the State Controller or the Commissioner of Finance and Administration, and with the consent of the Governor, to invest excess money, including unspent bond proceeds in tax-exempt obligations and tax-exempt trusts and funds. If H.R. 3838, 99th Congress, First Session, the "Tax Reform Act of 1985," is enacted into law in its current form, these investments in tax-exempt obligations will allow the State to retain several hundreds of thousands of dollars of arbitrage earnings each year which otherwise will have to be rebated to the Federal Government.

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