

MAINE STATE LEGISLATURE

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Date: 4-17-08

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APPROPRIATIONS AND FINANCIAL AFFAIRS

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**STATE OF MAINE
SENATE
123RD LEGISLATURE
FIRST SPECIAL SESSION
Majority**

COMMITTEE AMENDMENT "A" to S.P. 858, L.D. 2226, Bill, "An Act To Amend the Laws Governing the State's Cash Investment Policies"

Amend the bill by striking out everything after the enacting clause and before the summary and inserting the following:

Sec. 1. 5 MRSA §135, first ¶, as amended by PL 2005, c. 386, Pt. CC, §2, is further amended to read:

The Treasurer of State may deposit the money, including trust funds of the State, in any national bank or in any banking institution, trust company, state or federal savings and loan association or, mutual savings bank or state-chartered or federally chartered credit union organized under the laws of this State or having a location in the State except as provided in chapter 161. Before making a deposit, the Treasurer of State must consider the state presence of the institution and, if applicable, the rating of the banking institution, trust company, state or federal savings and loan association or mutual savings bank on its most recent assessment conducted pursuant to the federal Community Reinvestment Act, 12 United States Code, Section 2901. The Treasurer of State may transfer funds into and out of the respective funds in the cash pool as circumstances may require to meet current obligations and shall request the State Controller to effect such transfers by journal entry as set forth in section 131-B. ~~When there is excess money in the State Treasury that is not needed to meet current obligations, the~~ The Treasurer of State may invest, ~~with the concurrence of the State Controller or the Commissioner of Administrative and Financial Services and with the consent of the Governor, those amounts~~ cash pool funds in bonds, notes, certificates of indebtedness or other obligations of the United States and its agencies and instrumentalities that mature not more than 36 24 months from the date of investment or in repurchase agreements that mature within the succeeding 12 months that are secured by obligations of the United States and its agencies and instrumentalities, prime commercial paper, tax-exempt obligations and corporate bonds rated "AAA" that mature not more than 36 24 months from the date of investment, banker's acceptances or so-called "no-load" shares of any investment company registered under the federal Investment Company Act of 1940, as amended, that

COMMITTEE AMENDMENT

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1 complies with Rule 2a-7 guidelines and maintains a constant share price. The Treasurer
 2 of State may participate in the securities loan market by loaning state-owned bonds, notes
 3 or certificates of indebtedness of the Federal Government, only if loans are fully
 4 collateralized by treasury bills or cash. The Treasurer of State shall seek competitive bids
 5 for investments except when, after a reasonable investigation, it appears that an
 6 investment of the desired maturity is procurable by the State from only one source.
 7 Interest earned on those investments of money must be credited to the respective funds,
 8 except that interest earned on investments of special revenue funds must be credited to
 9 the General Fund of the State. Effective July 1, 1995, interest earned on investments of
 10 the Highway Fund must be credited to the Highway Fund. Interest earned on funds of the
 11 Department of Inland Fisheries and Wildlife must be credited to the General Fund.
 12 Interest earned on funds of the Baxter State Park Authority must be credited to the Baxter
 13 State Park Fund. This section does not prevent the deposit for safekeeping or custodial
 14 care of the securities of the several funds of the State in banks or safe deposit companies
 15 in this State or any other state, nor the deposit of state funds required by the terms of
 16 custodial contracts or agreements negotiated in accordance with the laws of this State.
 17 All custodial contracts and agreements are subject to the approval of the Governor.

18 **Sec. 2. 5 MRSA §135, 4th ¶**, as amended by PL 2003, c. 20, Pt. T, §3, is further
 19 amended to read:

20 No sum exceeding an amount equal to 25% of the capital, surplus and undivided
 21 profits of any trust company or national bank or a sum exceeding an amount equal to 25%
 22 of the reserve fund and undivided profit account of a mutual savings bank or state or
 23 federal savings and loan associations may be on deposit therein at any one time. The
 24 restriction does not apply to deposits subject to immediate withdrawal available to meet
 25 the payment of any bonded debts or interest or to pay current bills or expenses of the
 26 State. The restriction does not apply to deposits that are secured by the pledge of certain
 27 securities as collateral, nor to deposits fully covered by insurance. Such collateral must
 28 be in an amount equal to or greater than such deposit. The Treasurer of State may require,
 29 in the discretion of the Treasurer of State, collateralization or insurance for the full
 30 amount or more of any deposit of public funds, whether held by an institution permitted
 31 under this section or by a vendor contracted to collect or disburse public funds. The value
 32 of the securities so pledged must be determined by the Treasurer of State on the basis of
 33 market value. The Treasurer of State shall review the value of securities pledged on
 34 January 2nd and July 2nd of each year. The collateral must consist of securities or
 35 obligations issued or fully insured or guaranteed by the United States, an agency or
 36 instrumentality thereof or a United States government sponsored corporation. The
 37 securities must be held in a depository institution approved by the Treasurer of State and
 38 pledged to indemnify the State of Maine against any loss. Notice of such hypothecation at
 39 the time of deposit must be given to the Treasurer of State by the depository institution
 40 and a copy of said notice mailed to the State Department of Audit.

41 **Sec. 3. Treasurer of State to adopt policy.** The Treasurer State shall adopt a
 42 policy regarding the investment of cash pool funds in accordance with this section.

- 43 1. The coequal primary investment objectives of cash pool management are:
 44 A. The preservation of capital through quality and diversification; and

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1 B. The maintenance of sufficient liquidity for meeting anticipated state cash flow
2 needs.

3 2. The secondary investment objectives of cash pool management are, in order of
4 priority:

5 A. The attainment of the competitive rate of return; and

6 B. The enhancement of capital available to state financial institutions.

7 3. Prior to making a deposit of cash pool funds into a state-chartered or federally
8 chartered credit union, the Treasurer of State shall require a credit union to report
9 annually the percentage of its loan portfolio outstanding to residents of the State, along
10 with such further information as it may publish regarding its actions benefiting residents
11 of the State.

12 4. Prime commercial paper purchases for the cash pool, if any, may not exceed
13 \$10,000,000 par value per issuer, and with no more than 5% of the cash pool funds
14 placed in such investments.

15 5. The Treasurer of State shall establish appropriate investment performance
16 benchmarks for the cash pool and shall revisit and replace those benchmarks from time to
17 time as appropriate with actual cash pool holdings and investment policy.

18 **SUMMARY**

19 This amendment makes the following changes to the laws governing investments
20 made by the Treasurer of State.

21 1. It authorizes the Treasurer of State to deposit state funds in a state-chartered or
22 federally chartered credit union.

23 2. Current law provides that, when there is excess money in the State Treasury that is
24 not needed to meet current obligations, the Treasurer of State may invest those amounts,
25 with the concurrence of the State Controller and the Commissioner of Administrative and
26 Financial Services and the consent of the Governor, in certain investments that mature no
27 more than 36 months from the date of investment. This amendment removes the language
28 requiring that there be excess funds in the State Treasury, removes language requiring the
29 concurrence of the State Controller and the Commissioner of Administrative and
30 Financial Services and the consent of the Governor, and reduces the time for maturity
31 from 36 to 24 months.

32 3. It requires the Treasurer of State to adopt a policy regarding the investment of
33 cash pool funds that sets forth the primary and secondary investment objectives of cash
34 pool management, requires reporting by credit union regarding the percentage of its loan
35 portfolio outstanding to Maine residents, establishes limits on prime commercial paper
36 purchases for the cash pool and requires appropriate investment performance benchmarks
37 for the cash pool.

FISCAL NOTE REQUIRED
(See attached)

COMMITTEE AMENDMENT



123rd MAINE LEGISLATURE

LD 2226

LR 3400(02)

An Act To Amend the Laws Governing the State's Cash Investment Policies

Fiscal Note for Bill as Amended by Committee Amendment "A"
Committee: Appropriations and Financial Affairs
Fiscal Note Required: Yes

Fiscal Note

	2007-08	2008-09	Projections 2009-10	Projections 2010-11
Net Cost (Savings)				
General Fund	\$0	\$724	\$724	\$724
Highway Fund	\$0	\$6,552	\$6,552	\$6,552
Revenue				
General Fund	\$0	(\$724)	(\$724)	(\$724)
Highway Fund	\$0	(\$6,552)	(\$6,552)	(\$6,552)

Fiscal Detail and Notes

Changing the laws governing the State's Cash Investment Policies will result in a reduction of revenue to the General Fund of \$724 annually beginning in fiscal year 2008-09 and a reduction of Highway Fund revenue of \$6,552 annually beginning in fiscal year 2008-09.