

FIRST REGULAR SESSION
HOUSE COMMITTEE SUBSTITUTE FOR
SENATE COMMITTEE SUBSTITUTE FOR
SENATE BILL NO. 270
93RD GENERAL ASSEMBLY

Reported from the Committee on Financial Institutions April 4, 2005, with recommendation that House Committee Substitute for Senate Committee Substitute for Senate Bill No. 270 Do Pass. Referred to the Committee on Rules pursuant to Rule 25(26)(f).

1236L.04C

STEPHEN S. DAVIS, Chief Clerk

AN ACT

To repeal sections 30.247, 30.250, 30.260, 30.270, 30.750, 30.753, 30.756, 30.758, 30.760, 30.765, 30.767, 30.830, and 30.840, RSMo, and to enact in lieu thereof fifteen new sections relating to the state treasurer, with penalty provisions and an emergency clause.

Be it enacted by the General Assembly of the state of Missouri, as follows:

Section A. Sections 30.247, 30.250, 30.260, 30.270, 30.750, 30.753, 30.756, 30.758, 30.760, 30.765, 30.767, 30.830, and 30.840, RSMo, are repealed and fifteen new sections enacted in lieu thereof, to be known as sections 30.250, 30.260, 30.270, 30.286, 30.750, 30.753, 30.756, 30.758, 30.760, 30.765, 30.767, 30.830, 30.840, 30.860, and 1, to read as follows:

30.250. 1. The state treasurer shall enter into a written contract with each depository setting forth the conditions and terms upon which the moneys of the state are deposited therewith and containing among its provisions and conditions the following:

- (1) The amount of the moneys of the state to be entrusted to each depository;
- (2) With respect to demand deposits, the time such contract shall continue with the right reserved to each the state treasurer and the depository to terminate the contract at any time upon giving ninety days' notice to the other party of his or **her or** its intention to do so;
- (3) With respect to time deposits, the conditions as to time and notice which need be given in regard to withdrawals and the rate of interest which the depository shall be obligated to pay;
- (4) Provisions requiring that the depository shall:

EXPLANATION — Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted from the law. Matter in **bold-face** type in the above bill is proposed language.

- (a) Safely keep such deposits;
- (b) Pay demand deposits on the state treasurer's demand therefor; and
- (c) Pay time deposits only in accordance with the contract with the depositary;

(5) That such depositary shall secure the state moneys with the amount and character of securities provided for in section 30.270, such securities to be held at the expense of the depositary;

(6) That no item of security deposited by a depositary under the terms of the contract shall be withdrawn without the written consent of the state treasurer; and that otherwise the representatives of the state of Missouri shall have the rights prescribed by sections 30.270 and 30.280;

(7) That the depositary shall, at times specified by the state treasurer, render a statement showing the daily activity in the account;

(8) That in the event the depositary shall default in any manner in performing any of the terms and conditions of the contract, or shall fail to keep safely the moneys of the state deposited with it, the state treasurer shall be authorized forthwith without notice, advertisement or demand, and at public or private sale, to convert into money the securities deposited, or as many of them as may be necessary to pay the whole amount of the state deposits in such depositary; **and**

(9) The contract for state funds may be for a period of up to five years.

2. Upon the execution of such contracts the state treasurer shall deliver a copy thereof to the governor, a copy thereof to the state auditor, a copy thereof to the depositary, shall file another copy with the secretary of state, and shall retain the contract in his own office.

30.260. 1. The state treasurer shall prepare, maintain and adhere to a written investment policy which shall include an asset allocation plan which limits the total amount of state moneys which may be invested in any particular investment authorized by section 15, article IV of the Missouri Constitution. The state treasurer shall present a copy of such policy to the governor, commissioner of administration, state auditor and general assembly at the commencement of each regular session of the general assembly or at any time the written investment policy is amended.

2. The state treasurer shall determine by the exercise of the treasurer's best judgment the amount of state moneys that are not needed for current operating expenses of the state government and shall keep on demand deposit in banking institutions in this state selected by the treasurer and approved by the governor and state auditor the amount of state moneys which the treasurer has so determined are needed for current operating expenses of the state government and disburse the same as authorized by law.

3. Within the parameters of the state treasurer's written investment policy, the state treasurer shall place the state moneys which the treasurer has determined are not needed for current operations of the state government on time deposit drawing interest in banking institutions in this state selected by the treasurer and approved by the governor and the state auditor, or place them outright or, if applicable, by repurchase agreement in obligations described in section 15, article IV, Constitution of Missouri, as the treasurer in the exercise of the treasurer's best judgment determines to be in the

best overall interest of the people of the state of Missouri, giving due consideration to:

(1) The preservation of such state moneys;

(2) **The benefits to the economy and welfare of the people of Missouri when such state money is invested in banking institutions in this state that, in turn, provide additional loans and investments in the Missouri economy and generate state taxes from such initial investments and the loans and investments created by the banking institutions, compared to the removal or withholding from banking institutions in the state of all or some such state moneys and investing same in obligations authorized in section 15, article IV of the Missouri Constitution;**

(3) The liquidity needs of the state;

~~[(3)]~~ (4) The ~~[comparative yield]~~ **aggregate return in earnings and taxes on the deposits and the investment** to be derived therefrom;

~~[(4) The effect upon the economy and welfare of the people of Missouri of the removal or withholding from banking institutions in the state of all or some such state moneys and investing same in obligations authorized in section 15, article IV of the Missouri Constitution;]~~ and

(5) All other factors which to the treasurer as a prudent state treasurer seem to be relevant to the general public welfare in the light of the circumstances at the time prevailing. The state treasurer may also place state moneys which are determined not needed for current operations of the state government in linked deposits as provided in sections 30.750 to 30.767. 4. Except for state moneys deposited in linked deposits as provided in sections 30.750 to 30.767, the rate of interest payable by all banking institutions on time deposits of state moneys shall be the same as the average rate paid during the week next preceding the week in which the deposit was made for United States of America treasury securities maturing and becoming payable closest to the time of termination of the deposit, as determined by the state treasurer, adjusted to the nearest one-tenth of a percent; except that the rate shall never exceed the maximum rate of interest which by federal law or regulation a bank which is a member of the Federal Reserve System may from time to time pay on a time deposit of the same size and maturity.

5. Within the parameters of the state treasurer's written investment policy, the state treasurer may subscribe for or purchase outright or by repurchase agreement investments of the character described in subsection 3 of this section which the treasurer, in the exercise of the treasurer's best judgment, believes to be the best for investment of state moneys at the time and in payment therefor may withdraw moneys from any bank account, demand or time, maintained by the treasurer without having any supporting warrant of the commissioner of administration. The state treasurer may bid on subscriptions for such obligations in accordance with the treasurer's best judgment. The state treasurer shall provide for the safekeeping of all such obligations so acquired in the same manner that securities pledged to secure the repayment of state moneys deposited in banking institutions are kept by the treasurer pursuant to law. The state treasurer may hold any such obligation so acquired by the treasurer until its maturity or prior thereto may sell the same outright or by reverse repurchase

agreement provided the state's security interest in the underlying security is perfected or temporarily exchange such obligation for cash or other authorized securities of at least equal market value with no maturity more than one year beyond the maturity of any of the traded obligations, for a negotiated fee as the treasurer, in the exercise of the treasurer's best judgment, deems necessary or advisable for the best interest of the people of the state of Missouri in the light of the circumstances at the time prevailing. The state treasurer may pay all costs and expenses reasonably incurred by the treasurer in connection with the subscription, purchase, sale, collection, safekeeping or delivery of all such obligations at any time acquired by the treasurer.

6. As used in this chapter, except as more particularly specified in section 30.270, obligations of the United States shall include securities of the United States Treasury, and United States agencies or instrumentalities as described in section 15, article IV, Constitution of Missouri. The word "temporarily" as used in this section shall mean no more than six months.

30.270. 1. For the security of the moneys deposited by the state treasurer pursuant to the provisions of this chapter, the state treasurer shall, from time to time, submit a list of acceptable securities to be approved by the governor and state auditor if satisfactory to them, and the state treasurer shall require of the selected and approved banks or financial institutions as security for the safekeeping and payment of deposits, securities from the list provided for in this section, which list [may] **shall** include only securities of the following kind and character, **unless it is determined by the state treasurer that the use of such securities as collateral may place state public funds at undue risk:**

- (1) Bonds or other obligations of the United States;
- (2) Bonds or other obligations of the state of Missouri including revenue bonds issued by state agencies or by state authorities created by legislative enactment;
- (3) Bonds of any city in this state having a population of not less than two thousand;
- (4) Bonds of any county in this state;
- (5) Approved registered bonds of any school district situated in this state;
- (6) Approved registered bonds of any special road district in this state;
- (7) State bonds of any state;
- (8) Notes, bonds, debentures or other similar obligations issued by the [federal land banks, federal intermediate credit banks, or banks for cooperatives] **farm credit banks or agricultural credit banks** or any other obligations issued pursuant to the provisions of an act of the Congress of the United States known as the Farm Credit Act of 1971, and acts amendatory thereto;
- (9) Bonds of the federal home loan banks;
- (10) Any bonds or other obligations guaranteed as to payment of principal and interest by the government of the United States or any agency or instrumentality thereof;
- (11) Bonds of any political subdivision established pursuant to the provisions of section 30, article VII[,] of the Constitution of Missouri;
- (12) Tax anticipation notes issued by any county of the first classification;

(13) A surety bond issued by an insurance company licensed pursuant to the laws of the state of Missouri whose claims-paying ability is rated in the highest category by at least one nationally recognized statistical rating agency. The face amount of such surety bond shall be at least equal to the portion of the deposit to be secured by the surety bond;

(14) An irrevocable standby letter of credit issued by a Federal Home Loan Bank possessing the highest rating issued by at least one nationally recognized statistical rating agency;

(15) Out-of-state municipal bonds, provided such bonds are rated in the highest category by at least one nationally recognized statistical rating agency.

(16) (a) Mortgage securities that are individual loans that include negotiable promissory notes and the first lien deeds of trust securing payment of such notes on one to four family real estate, on commercial real estate, or on farm real estate located in Missouri or states adjacent to Missouri, provided such loans:

a. Are underwritten to conform to standards established by the state treasurer, which are substantially similar to standards established by the Federal Home Loan Bank of Des Moines, Iowa, and any of its successors in interest that provide funding for financial institutions in Missouri;

b. Are offered by a financial institution in which a senior executive officer certifies under penalty of perjury that such loans are compliant with the requirements of the Federal Home Loan Bank of Des Moines, Iowa when such loans are pledged by such bank;

c. Are offered by a financial institution that is well capitalized; and

d. Are not construction loans, are not more than ninety days delinquent, have not been classified as substandard, doubtful, or subject to loss, are one hundred percent owned by the financial institution, are otherwise unencumbered and are not being temporarily warehoused in the financial institution for sale to a third party.

Any disqualified mortgage securities shall be removed as collateral within ninety days of disqualification or the state treasurer may disqualify such collateral as collateral for state funds.

(b) The state treasurer may promulgate regulations and provide such other forms or agreements to ensure the state maintains a first priority position on the deeds of trust and otherwise protect and preserve state funds. Any rule or portion of a rule, as that term is defined in section 536.010, RSMo, that is created under the authority delegated in this section shall become effective only if it complies with and is subject to all of the provisions of chapter 536, RSMo, and, if applicable, section 536.028, RSMo. This section and chapter 536, RSMo, are nonseverable and if any of the powers vested with the general assembly pursuant to chapter 536, RSMo, to review, to delay the effective date, or to disapprove and annul a rule are subsequently held unconstitutional, then the grant of rulemaking authority and any rule proposed or adopted after August 28, 2005, shall be invalid and void;

(c) A status report on all such mortgage securities shall be provided to the state treasurer on a calendar monthly basis in the manner and format prescribed by the state treasurer by the financial institutions pledging such mortgage securities and also shall certify their compliance with subsection 2 for such mortgage securities;

(d) In the alternative to paragraph (a) of this subdivision, a financial institution may provide a blanket lien on all loans secured by one to four family real estate, all loans secured by commercial real estate, all loans secured by farm real estate, or any combination of these categories, provided the financial institution secures such blanket liens with real estate located in Missouri and states adjacent to Missouri and otherwise complies with paragraphs (b) and (c) of this subdivision;

(e) The provisions of paragraphs (a) to (d) of this subdivision are not authorized for any Missouri political subdivision, notwithstanding the provisions of chapter 110, RSMo, to the contrary;

(f) As used in this subdivision, the term "unencumbered" shall mean mortgage securities pledged for state funds as provided in subsection 1 of this section, and not subject to any other express claims by any third parties, including but not limited to a blanket lien on the bank assets by the Federal Home Loan Bank, a depositary arrangement when securities are loaned and repurchased daily or otherwise, or the depositary has pledged its stock and assets for a loan to purchase another depositary or otherwise; and

(g) As used in this subdivision, the term "well capitalized" shall mean a banking institution that according to its most recent report of condition and income or thrift financial report, publicly available as applicable, qualifies as "well capitalized" under the uniform capital requirements established by the federal banking regulators or as determined by state banking regulators under substantially similar requirements.

(17) Any investment that the state treasurer may invest in as provided in article IV, section 15 of the Missouri Constitution, and subject to the state treasurer's written investment policy in section 30.260, that is not otherwise provided for in this section, provided the banking institution or eligible lending institution as defined in subdivision (7) of section 30.750 is well capitalized, as defined in subdivision (16) of this subsection. The provisions of this subdivision are not authorized for political subdivisions, notwithstanding the provisions of chapter 110, RSMo, to the contrary.

2. Securities deposited shall be in an amount valued at market equal at least to one hundred percent of the aggregate amount on time deposit as well as on demand deposit with the particular financial institution less the amount, if any, which is insured either by the Federal Deposit Insurance Corporation [or by the Federal Savings and Loan Insurance Corporation] or by the National Credit Unions Share Insurance Fund. **Furthermore, for a well-capitalized banking institution, securities authorized in this section that are:**

(1) Mortgage securities on loans secured on one to four family real estate appraised to

reflect the market value at the time of the loan and deposited as collateral shall not exceed one hundred and twenty-five percent of the aggregate amount of time deposits and demand deposits;

(2) Mortgage securities on loans secured on commercial real estate or on farm real estate appraised to reflect the market value at the time of the loan and deposited as collateral shall not exceed the collateral requirements of the Federal Home Loan Bank of Des Moines, Iowa;

(3) Other securities valued at market and deposited as collateral shall not exceed one hundred and five percent of the aggregate amount of time deposits and demand deposits; and

(4) Securities that are surety bonds and letters of credit authorized as collateral need only collateralize one hundred percent of the aggregate amount of time deposits and demand deposits.

3. The securities or book entry receipts shall be delivered to the state treasurer and receipted for by the state treasurer and retained by the treasurer or by financial institutions that the governor, state auditor and treasurer agree upon. The state treasurer shall from time to time inspect the securities and book entry receipts and see that they are actually held by the state treasury or by the financial institutions selected as the state depositories. The governor and the state auditor may inspect or request an accounting of the securities or book entry receipts, and if in any case, or at any time, the securities are not satisfactory security for deposits made as provided by law, they may require additional security to be given that is satisfactory to them.

4. Any securities deposited pursuant to this section may from time to time be withdrawn and other securities described in the list provided for in subsection 1 of this section may be substituted in lieu of the withdrawn securities with the consent of the treasurer; but a sufficient amount of securities to secure the deposits shall always be held by the treasury or in the selected depositories.

5. If a financial institution of deposit fails to pay a deposit, or any part thereof, pursuant to the terms of its contract with the state treasurer, the state treasurer shall forthwith convert the securities into money and disburse the same according to law.

6. Any financial institution making deposits of bonds with the state treasurer pursuant to the provisions of this chapter may cause the bonds to be endorsed or stamped as it deems proper, so as to show that they are deposited as collateral and are not transferable except upon the conditions of this chapter or upon the release by the state treasurer.

30.286. In addition to the other powers authorized in this chapter, the state treasurer may enter into one or more agreements with one or more vendors, banking institutions, agents, consulting firms, or not-for-profit private businesses for the provisions of services relating to the state treasurer's duties as described in this chapter and the Missouri Constitution, including but not limited to collateral tracking and management, custodial banking and other banking services, securities lending, investment advisory services, and other general consulting

services as required for a period of years. Such businesses shall be required to demonstrate their ability to manage confidential information, to purchase fidelity bonds on the employees of such businesses, purchase other bonds and insurance as needed for the services provided, and to certify adequately the accuracy of reports required from time to time.

30.750. As used in sections 30.750 to [30.765] **30.767**, the following terms mean:

(1) "Eligible agribusiness", a person[, employing ten or more persons] engaged in the processing or adding of value to agricultural products produced in Missouri;

(2) "Eligible beginning farmer",

(a) For any beginning farmer who seeks to participate in the linked deposit program alone, a farmer who:

a. Is a Missouri resident;

b. Wishes to borrow for a farm operation located in Missouri;

c. Is at least eighteen years old; **and**

d. In the preceding five years has not owned, either directly or indirectly, farm land greater than [thirty] **fifty** percent of the [median] **average** size farm in the county where the proposed farm operation is located, or farm land with an appraised value greater than [one hundred twenty-five] **four hundred fifty** thousand dollars[; and

e. Has not been the sole farmer of land for more than ten years prior to the date of application of the proposed farm operation].

A farmer who qualifies as an eligible farmer under this provision may utilize the proceeds of a linked deposit loan to purchase agricultural land, farm buildings, new and used farm equipment, livestock and working capital;

(b) For any beginning farmer who is participating in both the linked deposit program and the beginning farmer loan program administered by the Missouri agriculture and small business development authority, a farmer who:

a. Qualifies under the definition of a beginning farmer utilized for eligibility for federal tax-exempt financing, including the limitations on the use of loan proceeds; and

b. Meets all other requirements established by the Missouri agriculture and small business development authority;

(3) "**Eligible facility borrower**", a borrower qualified under section 30.860 to apply for a reduced rate loan under sections 30.750 to 30.767;

(4) "Eligible farming operation", any person engaged in farming in an authorized farm corporation, family farm, or family farm corporation as defined in section 350.010, RSMo, that has all of the following characteristics:

(a) Is headquartered in this state;

(b) Maintains offices, operating facilities, or farming operations and transacts business in this state;

(c) Employs less than ten employees;

(d) Is organized for profit;

(e) Possesses not more than sixty percent equity, where "percent equity" is defined as total assets minus total liabilities divided by total assets, except that an otherwise eligible farming operation applying for a loan for the purpose of installing or improving a waste management practice in order to comply with environmental protection regulations shall be exempt from this eligibility requirement;

[(4)] (5) "Eligible higher education institution", any approved public or private institution as defined in section 173.205, RSMo;

[(5)] (6) "Eligible job enhancement business", a new, existing or expanding firm operating in Missouri which employs ten or more employees on a yearly average and which, as nearly as possible, is able to establish or retain at least one job in Missouri for each twenty-five thousand dollars received from a linked deposit loan;

[(6)] (7) "Eligible lending institution", a financial institution that is eligible to make commercial or agricultural or student loans or discount or purchase such loans, is a public depository of state funds or obtains its funds through the issuance of obligations, either directly or through a related entity, eligible for the placement of state funds under the provisions of section 15, article IV, Constitution of Missouri, and agrees to participate in the linked deposit program;

[(7)] (8) "Eligible livestock operation", any person, engaged in production of livestock or poultry in an authorized farm corporation, family farm, or family farm corporation as defined in section 350.010, RSMo;

[(8)] (9) "Eligible marketing enterprise", a business enterprise operating in this state which is in the process of marketing its goods, products or services within or outside of this state or overseas, which marketing is designed to increase manufacturing, transportation, mining, communications, or other enterprises in this state, which has proposed its marketing plan and strategy to the department of economic development and which plan and strategy has been approved by the department for purposes of eligibility pursuant to sections 30.750 to [30.765] **30.767**. Such business enterprise shall conform to the characteristics of paragraphs (a), (b) and (d) of subdivision [(3)] (4) of this section and also employ less than twenty-five employees;

[(9)] (10) "Eligible multitenant development enterprise", a new enterprise that develops multitenant space for targeted industries as determined by the department of economic development and approved by the department for the purposes of eligibility pursuant to sections 30.750 to [30.765] **30.767**;

[(10)] (11) "Eligible residential property developer", an individual who purchases and develops a residential structure of either two or four units, if such residential property developer uses and agrees to continue to use, for at least the five years immediately following the date of issuance of the linked deposit loan, one of the units as his principal residence or if such person's principal residence is located within one-half mile from the developed structure and such person agrees to

maintain the principal residence within one-half mile of the developed structure for at least the five years immediately following the date of issuance of the linked deposit loan;

[(11)] **(12)** "Eligible residential property owner", a person, firm or corporation who purchases, develops or rehabilitates a multifamily residential structure;

[(12)] **(13)** "Eligible small business", a person engaged in an activity with the purpose of obtaining, directly or indirectly, a gain, benefit or advantage and which conforms to the characteristics of paragraphs (a), (b) and (d) of subdivision [(3)] **(4)** of this section, and also employs less than twenty-five employees;

[(13)] **(14)** "Eligible student borrower", any person attending, or the parent of a dependent undergraduate attending, an eligible higher education institution in Missouri who may or may not qualify for need-based student financial aid calculated by the federal analysis called Congressional Methodology Formula pursuant to 20 U.S.C. 1078, as amended (the Higher Education Amendments of 1986);

[(14)] **(15)** "Eligible water supply system", a water system which serves fewer than fifty thousand persons and which is owned and operated by:

- (a) A public water supply district established pursuant to chapter 247, RSMo; or
- (b) A municipality or other political subdivision; or
- (c) A water corporation; and which is certified by the department of natural resources in accordance with its rules and regulations to have suffered a significant decrease in its capacity to meet its service needs as a result of drought;

[(15)] **(16)** "Farming", using or cultivating land for the production of agricultural crops, livestock or livestock products, forest products, poultry or poultry products, milk or dairy products, or fruit or other horticultural products;

[(16)] **(17)** "Linked deposit", a certificate of deposit, or in the case of production credit associations, the subscription or purchase outright of obligations described in section 15, article IV, Constitution of Missouri, placed by the state treasurer with an eligible lending institution [at up to three percent below current market rates that are determined and calculated by the state treasurer, provided the deposit rate is not below two percent] **at rates otherwise provided by law in section 30.758**, provided the institution agrees to lend the value of such deposit, according to the deposit agreement provided in sections 30.750 to [30.765] **30.767**, to eligible small businesses, farming operations, eligible job enhancement businesses, eligible marketing enterprises, eligible residential property developers, eligible residential property owners, eligible agribusinesses, eligible beginning farmers, eligible livestock operations, eligible student borrowers, **eligible facility borrower**, or eligible water supply systems at below the present borrowing rate applicable to each small business, farming operation, eligible job enhancement business, eligible marketing enterprise, eligible residential property developer, eligible residential property owner, eligible agribusiness, eligible beginning farmer, eligible livestock operation, eligible student borrower, or supply system at the time of the deposit of state funds in the institution;

(18) "Market rate", the interest rate tied to federal government securities and more specifically described in subsection 4 of section 30.260;

[(17)] **(19)** "Water corporation", as such term is defined in section 386.020, RSMo;

[(18)] **(20)** "Water system", as such term is defined in section 386.020, RSMo.

30.753. 1. The state treasurer may invest in linked deposits; however, the total amount so deposited at any one time shall not exceed, in the aggregate, [three hundred sixty] **seven hundred twenty** million dollars. No more than [one hundred sixty-five] **three hundred thirty** million dollars of the aggregate deposit shall be used for linked deposits to eligible farming operations, eligible agribusinesses, eligible beginning farmers [and], eligible livestock operations, **and eligible facility borrowers**, no more than [fifty-five] **one hundred ten** million of the aggregate deposit shall be used for linked deposits to small businesses, no more than [ten] **twenty** million dollars shall be used for linked deposits to eligible multitenant development enterprises, and no more than [ten] **twenty** million dollars of the aggregate deposit shall be used for linked deposits to eligible residential property developers and eligible residential property owners, no more than [one hundred ten] **two hundred twenty** million dollars of the aggregate deposit shall be used for linked deposits to eligible job enhancement businesses and no more than [ten] **twenty** million dollars of the aggregate deposit shall be used for linked deposit loans to eligible water systems. Linked deposit loans may be made to eligible student borrowers from the aggregate deposit. If demand for a particular type of linked deposit exceeds the initial allocation, and funds initially allocated to another type are available and not in demand, the state treasurer may commingle allocations among the types of linked deposits. [The amount reallocated under this commingling provision shall not exceed fifty percent of the initial allocation.]

2. The minimum deposit to be made by the state treasurer to an eligible lending institution for eligible job enhancement business loans shall be ninety thousand dollars. Linked deposit loans for eligible job enhancement businesses may be made for the purposes of assisting with relocation expenses, working capital, interim construction, inventory, site development, machinery and equipment, or other expenses necessary to create or retain jobs in the recipient firm.

30.756. 1. An eligible lending institution that desires to receive a linked deposit shall accept and review applications for linked deposit loans from eligible multitenant enterprises, eligible farming operations, eligible small businesses, eligible job enhancement businesses, eligible marketing enterprises, eligible agribusinesses, eligible beginning farmers, eligible livestock operations, eligible residential property developers, eligible residential property owners, eligible student borrowers, **eligible facility borrowers**, and eligible water supply systems. An eligible residential property owner shall certify on his **or her** loan application that the reduced rate loan will be used exclusively to purchase, develop or rehabilitate a multifamily residential property. The lending institution shall apply all usual lending standards to determine the credit worthiness of each eligible multitenant enterprise, eligible farming operation, eligible small business, eligible job enhancement business, eligible marketing enterprise, eligible residential property developer, eligible

residential property owner, eligible agribusiness, eligible beginning farmer, eligible livestock operation, eligible student borrower, **eligible facility borrower**, or eligible water supply system. No linked deposit loan made to any eligible farming operation, eligible livestock operation, eligible agribusiness or eligible small business shall exceed [one hundred thousand dollars and no service of separate loans may be made which exceeds such limit to any single eligible farming operation, eligible livestock operation, eligible agribusiness or eligible small business] **a dollar limit determined by the state treasurer is the state treasurer's best judgment, except as otherwise limited. Any link deposit loan made to an eligible facility borrower shall be in accordance with the loan amount and loan term requirements in section 30.860.**

2. An eligible farming operation, small business or job enhancement business shall certify on its loan application that the reduced rate loan will be used exclusively for necessary production expenses or the expenses listed in subsection 2 of section 30.753 or the refinancing of an existing loan for production expenses or the expenses listed in subsection 2 of section 30.753 of an eligible farming operation, small business or job enhancement business. Whoever knowingly makes a false statement concerning such application is guilty of a class A misdemeanor. An eligible water supply system shall certify on its loan application that the reduced rate loan shall be used exclusively to pay the costs of upgrading or repairing an existing water system, constructing a new water system, or making other capital improvements to a water system which are necessary to improve the service capacity of the system.

3. In considering which eligible farming operations should receive reduced rate loans, the eligible lending institution shall give priority to those farming operations which have suffered reduced yields due to drought or other natural disasters and for which the receipt of a reduced rate loan will make a significant contribution to the continued operation of the recipient farming operation.

4. The eligible financial institution shall forward to the state treasurer a linked deposit loan package, in the form and manner as prescribed by the state treasurer. The package shall include such information as required by the state treasurer, including the amount of each loan requested. The institution shall certify that each applicant is an eligible farming operation, eligible small business, eligible job enhancement business, eligible marketing enterprise, eligible residential property developer, eligible residential property owner, eligible agribusiness, eligible beginning farmer, eligible livestock operation, eligible student borrower, **eligible facility borrower**, or eligible water supply system, and shall, for each eligible farming operation, small business, eligible job enhancement business, eligible marketing enterprise, eligible residential property developer, eligible residential property owner, eligible agribusiness, eligible beginning farmer, eligible livestock operation, eligible student borrower, **eligible facility borrower**, or eligible water supply system, certify the present borrowing rate applicable.

5. The eligible lending institution shall be responsible for determining if a student borrower is an eligible student borrower. A student borrower shall be eligible for an initial or renewal reduced

rate loan only if, at the time of the application for the loan, [he] **the student** is a citizen or permanent resident of the United States, a resident of the state of Missouri as defined by the coordinating board for higher education, is enrolled or has been accepted for enrollment in an eligible higher education institution, and establishes that [he] **the student** has financial need. In considering which eligible student borrowers may receive reduced rate loans, the eligible lending institution may give priority to those eligible student borrowers whose income, or whose family income, if the eligible student borrower is a dependent, is such that the eligible student borrower does not qualify for need-based student financial aid pursuant to 20 U.S.C. 1078, as amended (the Higher Education Amendments of 1986). The eligible lending institution shall require the eligible student borrower to document that [he] **the student** has applied for and has obtained all need-based student financial aid for which [he] **the student** is eligible prior to application for a reduced rate loan pursuant to this section. In no case shall the combination of all financial aid awarded to any student in any particular enrollment period exceed the total cost of attendance at the institution in which the student is enrolled. No eligible lending institution shall charge any additional fees, including but not limited to an origination, service or insurance fee on any loan agreement under the provisions of sections 30.750 to 30.765.

6. The eligible lending institution making an initial loan to an eligible student borrower may make a renewal loan or loans to the student. The total of such reduced rate loans from eligible lending institutions made pursuant to this section to any individual student shall not exceed the cumulative totals established by 20 U.S.C. 1078, as amended. An eligible student borrower shall certify on his **or her** loan application that the reduced rate loan shall be used exclusively to pay the costs of tuition, incidental fees, books and academic supplies, room and board and other fees directly related to enrollment in an eligible higher education institution. The eligible lending institution shall make the loan payable to the eligible student borrower and the eligible higher education institution as copayees. The method of repayment of the loan shall be the same as for repayment of loans made pursuant to sections 173.095 to 173.186, RSMo.

7. Beginning August 28, 2005, in considering which eligible multitenant enterprise, eligible farming operation, eligible small business, eligible job enhancement business, eligible marketing enterprise, eligible residential property developer, eligible residential property owner, eligible agribusiness, eligible beginning farmer, eligible livestock operation, eligible student borrower, eligible facility borrower, or eligible water supply system should receive reduced rate loans, the eligible lending institution shall give priority to an eligible multitenant enterprise, eligible farming operation, eligible small business, eligible job enhancement business, eligible marketing enterprise, eligible residential property developer, eligible residential property owner, eligible agribusiness, eligible beginning farmer, eligible livestock operation, eligible student borrower, eligible facility borrower, or eligible water supply system that has not previously received a reduced rate loan through the linked deposit program. However, nothing shall prohibit an eligible lending institution from making a reduced rate

loan to any entity that previously has received such a loan, if such entity otherwise qualifies for such a reduced rate loan.

30.758. 1. The state treasurer may accept or reject a linked deposit loan package or any portion thereof.

2. The state treasurer shall make a good faith effort to ensure that the linked deposits are placed with eligible lending institutions to make linked deposit loans to minority or female-owned eligible multitenant enterprises, eligible farming operations, eligible small businesses, eligible job enhancement businesses, eligible marketing enterprises, eligible residential property developers, eligible residential property owners, eligible agribusinesses, eligible beginning farmers, eligible livestock operations, eligible student borrowers, eligible facility borrowers, or eligible water supply systems. Results of such effort shall be included in the linked deposit review committee's annual report to the governor.

[2.] **3.** Upon acceptance of the linked deposit loan package or any portion thereof, the state treasurer may place linked deposits with the eligible lending institution [at up to three percent below current market rates, as determined and calculated by the state treasurer provided the deposit rate is not below two percent] **as follows: when market rates are five percent or above, the state treasurer shall reduce the market rate by up to three percentage points to obtain the linked deposit rate; when market rates are less than five percent, the state treasurer shall reduce the market rate by up to sixty percent to obtain the linked deposit rate, provided that the linked deposit rate is not below one percent. All linked deposit rates are determined and calculated by the state treasurer.** When necessary, the treasurer may place linked deposits prior to acceptance of a linked deposit loan package.

[3.] **4.** The eligible lending institution shall enter into a deposit agreement with the state treasurer, which shall include requirements necessary to carry out the purposes of sections 30.750 to [30.765. Such requirements shall reflect the market conditions prevailing in the eligible lending institution's lending area] **30.767.** The deposit agreement shall specify the length of time for which the lending institution will lend funds upon receiving a linked deposit, **and the original deposit plus renewals shall not exceed five years, except as otherwise provided in this chapter.** The agreement shall also include provisions for the linked deposit of a linked deposit for an **eligible facility borrower**, eligible multitenant enterprise, eligible farming operation, small business, eligible marketing enterprise, eligible residential property developer, eligible residential property owner, eligible agribusiness, eligible beginning farmer, eligible livestock operation, eligible student borrower or job enhancement business [to mature within a period not to exceed one year. The state treasurer may renew such linked deposit for additional periods of time, each of which shall not exceed one year. The linked deposit of a linked deposit for an eligible property developer or residential property owner shall mature within a period not to exceed three years. The linked deposit of a linked deposit for an eligible water supply system shall mature within a period not to exceed three years and the state treasurer may renew such a linked deposit for additional periods of time,

each of which shall not exceed three years]. Interest shall be paid at the times determined by the state treasurer.

[4.] **5.** The period of time for which such linked deposit is placed with an eligible lending institution shall be neither longer nor shorter than the period of time for which the linked deposit is used to provide loans at reduced interest rates. The agreement shall further provide that the state shall receive market interest rates on any linked deposit or any portion thereof for any period of time for which there is no corresponding linked deposit loan outstanding to an eligible multitenant enterprise, eligible farming operation, eligible small business, eligible job enhancement business, eligible marketing enterprise, eligible residential property developer, eligible residential property owner, eligible agribusiness, eligible beginning farmer, eligible livestock operation, eligible student borrower, **eligible facility borrower**, or eligible water supply system, **except as otherwise provided in this subsection. Within thirty days after the annual anniversary date of the linked deposit, the eligible lending institution shall repay the state treasurer any linked deposit principal received from borrowers in the previous yearly period and thereafter repay such principal within thirty days of the yearly anniversary date calculated separately for each linked deposit loan, and repaid at the linked deposit rate. Such principal payment shall be accelerated when more than thirty percent of the linked deposit loan is repaid within a single monthly period. Any principal received and not repaid, up to the point of the thirty percent or more payment, shall be repaid within thirty days of that payment at the linked deposit rate. Finally, when the linked deposit is tied to a "revolving line of credit agreement" between the banking institution and its borrower, the full amount of the line of credit shall be excluded from the repayment provisions of this subsection.**

30.760. 1. Upon the placement of a linked deposit with an eligible lending institution, such institution is required to lend such funds to each approved eligible multitenant enterprise, eligible farm operation, eligible small business, eligible job enhancement business, eligible marketing enterprise, eligible residential property developer, eligible residential property owner, eligible agribusiness, eligible beginning farmer, eligible livestock operation, eligible student borrower, **eligible facility borrower**, or eligible water supply system listed in the linked deposit loan package required by section 30.756 and in accordance with the deposit agreement required by section 30.758. The loan shall be at a fixed rate of interest [which is below the present borrowing rate applicable] **reduced by the amount established under subsection 3 of section 30.758** to each eligible multitenant enterprise, eligible farming operation, eligible small business, eligible job enhancement business, eligible marketing enterprise, eligible residential property developer, eligible residential property owner, eligible agribusiness, eligible beginning farmer, eligible livestock operation, eligible student borrower, **eligible facility borrower**, or eligible water supply system as determined pursuant to rules and regulations promulgated by the state treasurer under the provisions of chapter 536, RSMo, including emergency rules issued pursuant to section 536.025, RSMo. In addition, the loan agreement shall specify that the eligible multitenant enterprise, eligible farming operation, eligible

small business, eligible job enhancement business, eligible marketing enterprise, eligible residential property developer, eligible residential property owner, eligible agribusiness, eligible beginning farmer, eligible livestock operation, eligible student borrower, **eligible facility borrower**, or eligible water supply system shall use the proceeds as required by sections 30.750 to 30.765, and that in the event the loan recipient does not use the proceeds in the manner prescribed by sections 30.750 to 30.765, the remaining proceeds shall be immediately returned to the lending institution and that any proceeds used by the loan recipient shall be repaid to the lending institution as soon as practicable. All records and documents pertaining to the programs established by sections 30.750 to 30.765 shall be segregated by the lending institution for ease of identification and examination. A certification of compliance with this section in the form and manner as prescribed by the state treasurer shall be required of the eligible lending institution. Any lender or lending officer of an eligible lending institution who knowingly violates the provisions of sections 30.750 to 30.765 is guilty of a class A misdemeanor.

2. The state treasurer shall take any and all steps necessary to implement the linked deposit program and monitor compliance of eligible multitenant enterprises, eligible lending institutions, eligible farming operations, eligible small businesses, eligible job enhancement businesses, eligible marketing enterprises, eligible residential property developers, eligible residential property owners, eligible agribusinesses, eligible beginning farmers, eligible livestock operations, **eligible facility borrowers**, or eligible water supply systems. [Annually, by the first day of February, the state treasurer shall report on the linked deposits program for the preceding calendar year to the governor, the speaker of the house of representatives, and the president pro tem of the senate. The report shall set forth the linked deposits made by the state treasurer under the program during the year and shall include information regarding the nature, terms, and amounts of the loans upon which the linked deposits were based. The report shall not include the assets, liabilities or percent equity of any recipient eligible multitenant enterprise, eligible farming operation, eligible small business, eligible job enhancement business, eligible marketing enterprise, eligible residential property developer, eligible residential property owner, eligible agribusiness, eligible beginning farmer, eligible livestock operation, eligible student borrower or eligible water supply system, but shall include a statement by the state treasurer that the eligible lending institutions have certified that all recipient eligible multitenant enterprises, eligible farming operations, eligible small businesses, eligible job enhancement businesses, eligible marketing enterprises, eligible residential property developers, eligible residential property owners, eligible agribusinesses, eligible beginning farmers, eligible livestock operations, eligible student borrowers or eligible water supply systems meet the criteria of sections 30.750 to 30.765.]

30.765. The state and the state treasurer are not liable to any eligible lending institution in any manner for payment of the principal or interest on the loan to an eligible multitenant enterprise, eligible farm operation, eligible small business, eligible job enhancement business, eligible marketing enterprise, eligible residential property developer, eligible residential property owner,

eligible agribusiness, eligible beginning farmer, eligible livestock operation, eligible student borrower, **eligible facility borrower**, or eligible water supply system. Any delay in payments or default on the part of an eligible multitenant enterprise, eligible farming operation, eligible small business, eligible job enhancement business, eligible marketing enterprise, eligible residential property developer, eligible residential property owner, eligible agribusiness, eligible beginning farmer, eligible livestock operation, eligible student borrower, **eligible facility borrower**, or eligible water supply system does not in any manner affect the deposit agreement between the eligible lending institution and the state treasurer.

30.767. The state treasurer shall not, after December 31, [2007] **2015**, invest in any linked deposit the value of which is to be lent to a recipient other than an eligible water supply system or an eligible student borrower. **The state treasurer shall not, after January 1, 2020, invest in any linked deposit, the value of which is to be lent to any new eligible facility borrower. However, such restriction shall not apply to any extensions of existing loans as provided for in section 30.860.**

30.830. The state treasurer may utilize up to [thirty] **sixty** million dollars of the [one hundred sixty-five] **three hundred thirty** million dollar linked deposit allocation for agriculture set forth in subsection 1 of section 30.753 for linked deposits for eligible guaranteed agribusinesses and eligible guaranteed livestock operations.

30.840. The state treasurer may renew a linked deposit for an eligible guaranteed agribusiness or an eligible guaranteed livestock operation for additional [one-year], **up to five-year**, terms, not to exceed ten years.

30.860. 1. As used in this section, the following terms mean:

(1) **"Agricultural commodity"**, any agricultural product that has been produced for purpose of sale or exchange, except for animals whose principal use may be construed as recreational or as a pet;

(2) **"Authority"**, the Missouri agricultural and small business development authority organized under sections 348.005 to 348.180, RSMo;

(3) **"Borrower"**, any partnership, corporation, cooperative, or limited liability company organized or incorporated under the laws of this state consisting of not less than twelve members for the purpose of owning or operating within this state a development facility or a renewable fuel production facility in which producer members:

(a) **Hold a majority of the governance or voting rights of the entity and any governing committee;**

(b) **Control the hiring and firing of management; and**

(c) **Deliver agricultural commodities or products to the entity for processing, unless processing is required by multiple entities;**

(4) **"Development facility"**, a facility producing either a good derived from an agricultural commodity or using a process to produce a good derived from an agricultural

product;

(5) "Eligible facility borrower", a development facility or renewable fuel production facility borrower qualified by the authority under this section to apply for a reduced rate loan under sections 30.750 to 30.767;

(6) "Renewable fuel production facility", a facility producing an energy source that is derived from a renewable, domestically grown organic compound capable of powering machinery, including an engine or power plant, and any by-product derived from such energy source.

2. The authority shall accept applications and issue certificates of qualification as an eligible facility borrower to development facilities and renewable fuel production facilities for purposes of applying for reduced rate loans under sections 30.750 to 30.767 to finance new costs or refinance existing debt associated with such facilities. The authority may charge for each certificate of qualification a one-time fee in an amount not to exceed the actual cost of issuance of the certificate.

3. In determining whether a facility will qualify as an eligible facility borrower, the authority shall consider the following factors:

(1) The borrower's ability to repay the loan;

(2) The general economic conditions of the area in which the agricultural property will be or is located;

(3) The prospect of success of the particular project for which the loan is sought; and

(4) Such other factors as the authority may establish by rule.

4. No reduced rate loan made to an eligible facility borrower under sections 30.750 to 30.767 shall:

(1) Exceed seventy million dollars for any single eligible facility borrower;

(2) Exceed seventy percent of the total anticipated cost of the development facility or renewable fuel production facility or, in the case of refinancing existing debt, ninety percent of the fair market value of the development facility or renewable fuel production facility;

(3) Exceed a loan term of five years, except that such loan may be extended up to two additional loan periods of five years each for a maximum total loan term of fifteen years; and

(4) When a banking institution or an eligible lending institution extends credit under the provisions of this section and provides the lead in underwriting the credit, it may enter into a participation agreement, sell part of the loan to third parties, syndicate the loan, or make other written arrangement with financial intermediaries, provided that at all times any financial intermediary, participant, purchaser, or other party obtaining a legal or equitable interest in the loan otherwise qualifies for linked deposit loans and fully collateralizes those loans as required by this chapter.

5. The state treasurer may contract with other parties as permitted in section 30.286 and consult with the authority to implement this section. However, the state treasurer shall

make the final determination on the placement of linked deposits of state funds in banking institutions or eligible lending institutions as permitted by the constitution.

6. The state treasurer shall promulgate rules to implement the provisions of this section. Any rule or portion of a rule, as that term is defined in section 536.010, RSMo, that is created under the authority delegated in this section shall become effective only if it complies with and is subject to all of the provisions of chapter 536, RSMo, and, if applicable, section 536.028, RSMo. This section and chapter 536, RSMo, are nonseverable and if any of the powers vested with the general assembly pursuant to chapter 536, RSMo, to review, to delay the effective date, or to disapprove and annul a rule are subsequently held unconstitutional, then the grant of rulemaking authority and any rule proposed or adopted after August 28, 2005, shall be invalid and void.

7. The provisions of sections 23.250 to 23.298, RSMo, shall not apply to the provisions of this section.

Section 1. 1. There is hereby created in the state treasury the "State Treasurer's General Operations Fund" which shall receive deposits, make disbursements and be administered in compliance with the provisions of this section.

2. Subject to appropriation, moneys in the state treasurer's general operations fund shall be used solely to pay for personal service, equipment and other expenses of the state treasurer related to the state treasurer's constitutional and statutory responsibilities, exclusive of any personal service, equipment and other expenses attributable to positions wholly dedicated to the functions described in chapter 447, RSMo. The commissioner of administration shall review and approve all requests of the state treasurer of disbursements from the state treasurer's general operations fund for compliance with the provisions of this section. Nothing in this section shall be deemed to prevent the general assembly from making appropriations to the state treasurer from other permissible sources.

3. Notwithstanding any other provisions of law to the contrary, moneys shall be deposited in the state treasurer's general operations fund and administered in accordance with the following provisions:

(1) On a daily basis, the state treasurer shall apportion any interest or other increment derived from the investment of funds in an amount proportionate to the average daily balance of funds in the state treasury. The state treasurer shall use a method in accordance with generally accepted accounting principles in apportioning and distributing that interest or increment. Prior to distributing that interest or increment, the state treasurer shall deduct the costs incurred by the state treasurer in administering this chapter in proportion to the average daily balance of the amounts deposited to each fund in the state treasury. The state treasurer shall then deposit the identified portion of the daily interest receipts in the "State Treasurer's General Operations Fund". All other remaining interest received on the investment of state funds shall be allocated and deposited to funds within the state treasury as required by law.

(2) The total costs for personal service, equipment and other expenses of the state treasurer related to the state treasurer's constitutional and statutory responsibilities, exclusive of any personal service, equipment and other expenses attributable to positions wholly dedicated to the functions described in chapter 447, RSMo, and any banking fees and other banking-related costs, shall not exceed ten basis points, or one-tenth of one percent, of the total of the average daily fund balance of funds within the state treasury.

4. Notwithstanding the provisions of section 33.080, RSMo, moneys in the state treasurer's general operations fund shall not lapse to the general revenue fund at the end of the biennium unless and only to the extent to which the amount in the fund exceeds the annual appropriations from the fund for the current fiscal year.

[30.247. Any bank account, included but not limited to the life sciences research trust fund created pursuant to section 196.1100, RSMo, with an average daily balance of ten thousand dollars or more, containing state funds, shall be obtained through an open and competitive bid process.]

Section B. Because of the need to provide consistent funding to the State Treasurer's Office to allow the office's primary functions to proceed in a timely and efficient manner, section A of this act is deemed necessary for the immediate preservation of the public health, welfare, peace and safety, and is hereby declared to be an emergency act within the meaning of the constitution, and section A of this act shall be in full force and effect upon its passage and approval.

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