

SECOND REGULAR SESSION
SENATE COMMITTEE SUBSTITUTE FOR

SENATE BILL NO. 599

100TH GENERAL ASSEMBLY

Reported from the Committee on Insurance and Banking, January 27, 2020, with recommendation that the Senate Committee Substitute do pass.

3390S.03C

ADRIANE D. CROUSE, Secretary.

AN ACT

To repeal sections 30.260, 30.753, and 30.758, RSMo, and to enact in lieu thereof three new sections relating to investments in linked deposits by the state treasurer.

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

Section A. Section 30.260, 30.753, and 30.758, RSMo, are repealed and
2 three new sections enacted in lieu thereof, to be known as sections 30.260, 30.753,
3 and 30.758, to read as follows:

30.260. 1. The state treasurer shall prepare, maintain and adhere to a
2 written investment policy which shall include an asset allocation plan which
3 limits the total amount of state moneys which may be invested in any particular
4 investment authorized by Section 15, Article IV of the Missouri
5 Constitution. Such asset allocation plan shall also set diversification limits, as
6 applicable, which shall include a restriction limiting the total amount of time
7 deposits of state moneys, not including linked deposits, placed with any one single
8 banking institution to be no greater than **[ten] twenty** percent of all time
9 deposits of state moneys **authorized under the asset allocation plan**. The
10 state treasurer shall present a copy of such policy to the governor, commissioner
11 of administration, state auditor and general assembly at the commencement of
12 each regular session of the general assembly or at any time the written
13 investment policy is amended.

14 2. The state treasurer shall determine by the exercise of the treasurer's
15 best judgment the amount of state moneys that are not needed for current
16 operating expenses of the state government and shall keep on demand deposit in

EXPLANATION—Matter enclosed in bold-faced brackets [thus] in this bill is not enacted and is intended to be omitted in the law.

17 banking institutions in this state selected by the treasurer and approved by the
18 governor and state auditor the amount of state moneys which the treasurer has
19 so determined are needed for current operating expenses of the state government
20 and disburse the same as authorized by law.

21 3. Within the parameters of the state treasurer's written investment
22 policy, the state treasurer shall place the state moneys which the treasurer has
23 determined are not needed for current operations of the state government on time
24 deposit drawing interest in banking institutions in this state selected by the
25 treasurer and approved by the governor and the state auditor, or place them
26 outright or, if applicable, by repurchase agreement in obligations described in
27 Section 15, Article IV, Constitution of Missouri, as the treasurer in the exercise
28 of the treasurer's best judgment determines to be in the best overall interest of
29 the people of the state of Missouri, giving due consideration to:

30 (1) The preservation of such state moneys;

31 (2) The benefits to the economy and welfare of the people of Missouri
32 when such state money is invested in banking institutions in this state that, in
33 turn, provide additional loans and investments in the Missouri economy and
34 generate state taxes from such initial investments and the loans and investments
35 created by the banking institutions, compared to the removal or withholding from
36 banking institutions in the state of all or some such state moneys and investing
37 same in obligations authorized in Section 15, Article IV of the Missouri
38 Constitution;

39 (3) The liquidity needs of the state;

40 (4) The aggregate return in earnings and taxes on the deposits and the
41 investment to be derived therefrom; and

42 (5) All other factors which to the treasurer as a prudent state treasurer
43 seem to be relevant to the general public welfare in the light of the circumstances
44 at the time prevailing. The state treasurer may also place state moneys which
45 are determined not needed for current operations of the state government in
46 linked deposits as provided in sections 30.750 to 30.765.

47 4. Except for state moneys deposited in linked deposits as provided in
48 sections 30.750 to 30.860, the rate of interest payable by all banking institutions
49 on time deposits of state moneys shall be set under subdivisions (1) to (5) of this
50 subsection and subsections 6 and 7 of this section. The rate shall never exceed
51 the maximum rate of interest which by federal law or regulation a bank which is
52 a member of the Federal Reserve System may from time to time pay on a time

53 deposit of the same size and maturity. The rate of interest payable by all
54 banking institutions on time deposits of state moneys is as follows:

55 (1) Beginning January 1, 2010, the rate of interest payable by a banking
56 institution on up to seven million dollars of time deposits of state moneys shall
57 be the same as the average rate paid during the week next preceding the week
58 in which the deposit was made for United States of America treasury securities
59 maturing and becoming payable closest to the time of termination of the deposit,
60 as determined by the state treasurer, adjusted to the nearest one-tenth of a
61 percent. In the case of a banking institution that holds more than seven million
62 dollars of time deposits of state moneys, the rate of interest payable on deposits
63 in excess of seven million dollars of time deposits of state moneys shall be set at
64 the market rate as determined in subsection 6 of this section;

65 (2) Beginning January 1, 2011, the rate of interest payable by a banking
66 institution on up to five million dollars of time deposits of state moneys shall be
67 the same as the average rate paid during the week next preceding the week in
68 which the deposit was made for United States of America treasury securities
69 maturing and becoming payable closest to the time of termination of the deposit,
70 as determined by the state treasurer, adjusted to the nearest one-tenth of a
71 percent. In the case of a banking institution that holds more than five million
72 dollars of time deposits of state moneys, the rate of interest payable on deposits
73 in excess of five million dollars of time deposits of state moneys shall be set at the
74 market rate as determined in subsection 6 of this section;

75 (3) Beginning January 1, 2012, the rate of interest payable by a banking
76 institution on up to three million dollars of time deposits of state moneys shall
77 be the same as the average rate paid during the week next preceding the week
78 in which the deposit was made for United States of America treasury securities
79 maturing and becoming payable closest to the time of termination of the deposit,
80 as determined by the state treasurer, adjusted to the nearest one-tenth of a
81 percent. In the case of a banking institution that holds more than three million
82 dollars of time deposits of state moneys, the rate of interest payable on deposits
83 in excess of three million dollars of time deposits of state moneys shall be set at
84 the market rate as determined in subsection 6 of this section;

85 (4) Beginning January 1, 2013, the rate of interest payable by a banking
86 institution on up to one million dollars of time deposits of state moneys shall be
87 the same as the average rate paid during the week next preceding the week in
88 which the deposit was made for United States of America treasury securities

89 maturing and becoming payable closest to the time of termination of the deposit,
90 as determined by the state treasurer, adjusted to the nearest one-tenth of a
91 percent. In the case of a banking institution that holds more than one million
92 dollars of time deposits of state moneys, the rate of interest payable on deposits
93 in excess of one million dollars of time deposits of state moneys shall be set at the
94 market rate as determined in subsection 6 of this section;

95 (5) Beginning January 1, 2014, the rate of interest payable by a banking
96 institution on all time deposits of state moneys shall be set at the market rate as
97 determined in subsection 6 of this section.

98 5. Notwithstanding subdivisions (1) to (5) of subsection 4 of this section,
99 for any new time deposits of state moneys placed after January 1, 2010, with a
100 term longer than eighteen months, the rate of interest payable by a banking
101 institution shall be set at the market rate as determined in subsection 6 of this
102 section.

103 6. Market rate shall be determined no less frequently than once a month
104 by the director of investments in the office of state treasurer. The process for
105 determining a market rate shall include due consideration of prevailing rates
106 offered for certificates of deposit by well-capitalized Missouri financial
107 institutions, the advance rate established by the Federal Home Loan Bank of Des
108 Moines for member institutions and the costs of collateralization, as well as an
109 evaluation of the credit risk associated with other authorized securities under
110 Section 15, Article IV, of the Missouri Constitution **or any other calculation**
111 **determined by the state treasurer based on current market investment**
112 **indicators.** Banking institutions may also offer a higher rate than the market
113 rate for any time deposit placed with the state treasurer in excess of the total
114 amount of state moneys set at the United States of America treasury securities
115 maturing and becoming payable closest to the time of termination of the deposit
116 indicated in subdivisions (1) to (5) of subsection 4 of this section.

117 7. Within the parameters of the state treasurer's written investment
118 policy, the state treasurer may subscribe for or purchase outright or by
119 repurchase agreement investments of the character described in subsection 3 of
120 this section which the treasurer, in the exercise of the treasurer's best judgment,
121 believes to be the best for investment of state moneys at the time and in payment
122 therefor may withdraw moneys from any bank account, demand or time,
123 maintained by the treasurer without having any supporting warrant of the
124 commissioner of administration. The state treasurer may bid on subscriptions for

125 such obligations in accordance with the treasurer's best judgment. The state
126 treasurer shall provide for the safekeeping of all such obligations so acquired in
127 the same manner that securities pledged to secure the repayment of state moneys
128 deposited in banking institutions are kept by the treasurer pursuant to law. The
129 state treasurer may hold any such obligation so acquired by the treasurer until
130 its maturity or prior thereto may sell the same outright or by reverse repurchase
131 agreement provided the state's security interest in the underlying security is
132 perfected or temporarily exchange such obligation for cash or other authorized
133 securities of at least equal market value with no maturity more than one year
134 beyond the maturity of any of the traded obligations, for a negotiated fee as the
135 treasurer, in the exercise of the treasurer's best judgment, deems necessary or
136 advisable for the best interest of the people of the state of Missouri in the light
137 of the circumstances at the time prevailing. The state treasurer may pay all costs
138 and expenses reasonably incurred by the treasurer in connection with the
139 subscription, purchase, sale, collection, safekeeping or delivery of all such
140 obligations at any time acquired by the treasurer.

141 8. As used in this chapter, except as more particularly specified in section
142 30.270, obligations of the United States shall include securities of the United
143 States Treasury, and United States agencies or instrumentalities as described in
144 Section 15, Article IV, Constitution of Missouri. The word "temporarily" as used
145 in this section shall mean no more than six months.

30.753. 1. The state treasurer may invest in linked deposits; however, the
2 total amount so deposited at any one time shall not exceed, in the aggregate,
3 **[seven hundred twenty] eight hundred** million dollars. No more than three
4 hundred thirty million dollars of the aggregate deposit shall be used for linked
5 deposits to eligible farming operations, eligible locally owned businesses, eligible
6 agribusinesses, eligible beginning farmers, eligible livestock operations, and
7 eligible facility borrowers, no more than one hundred **[ten] ninety** million of the
8 aggregate deposit shall be used for linked deposits to small businesses, no more
9 than twenty million dollars shall be used for linked deposits to eligible
10 multitenant development enterprises, and no more than twenty million dollars
11 of the aggregate deposit shall be used for linked deposits to eligible residential
12 property developers and eligible residential property owners, no more than two
13 hundred twenty million dollars of the aggregate deposit shall be used for linked
14 deposits to eligible job enhancement businesses and no more than twenty million
15 dollars of the aggregate deposit shall be used for linked deposit loans to eligible

16 water systems. Linked deposit loans may be made to eligible student borrowers,
17 eligible alternative energy operations, eligible alternative energy consumers, and
18 eligible governmental entities from the aggregate deposit. If demand for a
19 particular type of linked deposit exceeds the initial allocation, and funds initially
20 allocated to another type are available and not in demand, the state treasurer
21 may commingle allocations among the types of linked deposits.

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

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

3 2. The state treasurer shall make a good faith effort to ensure that the
4 linked deposits are placed with eligible lending institutions to make linked
5 deposit loans to minority- or female-owned eligible multitenant enterprises,
6 eligible farming operations, eligible alternative energy operations, eligible
7 alternative energy consumers, eligible locally owned businesses, eligible small
8 businesses, eligible job enhancement businesses, eligible marketing enterprises,
9 eligible residential property developers, eligible residential property owners,
10 eligible governmental entities, eligible agribusinesses, eligible beginning farmers,
11 eligible livestock operations, eligible student borrowers, eligible facility borrowers,
12 or eligible water supply systems. Results of such effort shall be included in the
13 linked deposit review committee's annual report to the governor.

14 3. Upon acceptance of the linked deposit loan package or any portion
15 thereof, the state treasurer may place linked deposits with the eligible lending
16 institution as follows: when market rates are five percent or above, the state
17 treasurer shall reduce the market rate by up to three percentage points to obtain
18 the linked deposit rate; when market rates are less than five percent, the state
19 treasurer shall reduce the market rate by up to sixty percent to obtain the linked
20 deposit rate. All linked deposit rates are determined and calculated by the state
21 treasurer. When necessary, the treasurer may place linked deposits prior to
22 acceptance of a linked deposit loan package.

23 4. The eligible lending institution shall enter into a deposit agreement

24 with the state treasurer, which shall include requirements necessary to carry out
25 the purposes of sections 30.750 to 30.765. The deposit agreement shall specify
26 the length of time for which the lending institution will lend funds upon receiving
27 a linked deposit, and the original deposit plus renewals shall not exceed five
28 years, except as otherwise provided in this chapter. The agreement shall also
29 include provisions for the linked deposit of a linked deposit for an eligible facility
30 borrower, eligible multitenant enterprise, eligible farming operation, eligible
31 alternative energy operation, eligible alternative energy consumer, eligible locally
32 owned business, eligible small business, eligible marketing enterprise, eligible
33 residential property developer, eligible residential property owner, eligible
34 governmental entity, eligible agribusiness, eligible beginning farmer, eligible
35 livestock operation, eligible student borrower or job enhancement
36 business. Interest shall be paid at the times determined by the state treasurer.

37 5. The period of time for which such linked deposit is placed with an
38 eligible lending institution shall be neither longer nor shorter than the period of
39 time for which the linked deposit is used to provide loans at reduced interest
40 rates. The agreement shall further provide that the state shall receive market
41 interest rates on any linked deposit or any portion thereof for any period of time
42 for which there is no corresponding linked deposit loan outstanding to an eligible
43 multitenant enterprise, eligible farming operation, eligible alternative energy
44 operation, eligible alternative energy consumer, eligible locally owned business,
45 eligible small business, eligible job enhancement business, eligible marketing
46 enterprise, eligible residential property developer, eligible residential property
47 owner, eligible governmental entity, eligible agribusiness, eligible beginning
48 farmer, eligible livestock operation, eligible student borrower, eligible facility
49 borrower, or eligible water supply system, except as otherwise provided in this
50 subsection. Within thirty days after the annual anniversary date of the linked
51 deposit, the eligible lending institution shall repay the state treasurer any linked
52 deposit principal received from borrowers in the previous yearly period and
53 thereafter repay such principal within thirty days of the yearly anniversary date
54 calculated separately for each linked deposit loan, and repaid at the linked
55 deposit rate. Such principal payment shall be accelerated when more than thirty
56 percent of the linked deposit loan is repaid within a single monthly period. Any
57 principal received and not repaid, up to the point of the thirty percent or more
58 payment, shall be repaid within thirty days of that payment at the linked deposit
59 rate. Finally, when the linked deposit is tied to a revolving line of credit

60 agreement between the banking institution and its borrower, the full amount of
61 the line of credit shall be excluded from the repayment provisions of this
62 subsection.

63 **6. The state treasurer shall give priority to maintaining linked**
64 **deposit agreement renewals over funding new linked deposit**
65 **applications.**

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