

PLEASE NOTE: Legislative Information **cannot** perform research, provide legal advice, or interpret Maine law. For legal assistance, please contact a qualified attorney.

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

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

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

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

1. The coequal primary investment objectives of cash pool management are:

A. The preservation of capital through quality and diversification; and

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

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

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

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

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

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

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

## **SUMMARY**

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

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

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

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