

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2187-02
Bill No.: HCS for HB 883
Subject: Treasurer, State
Type: Original
Date: April 3, 2009

Bill Summary: Modifies provisions relating to investments with the Missouri State
Treasurer

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on FTE	0	0	0

- Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).
- Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Attorney General's Office, State Auditor's Office, Missouri House of Representatives, Missouri Senate, Department of Agriculture, Department of Natural Resources** and **Department of Economic Development** assume that any potential costs arising from this proposal can be absorbed with existing resources.

Officials from the **State Treasurer's Office** assume there will be no fiscal impact to their agency, however, they are estimating a positive inflow of \$10 million annually to be divided among all funds in the treasury proportionately. This \$10 million can vary slightly based on the return on investment.

Oversight assumes there could be a loss to general revenue when additional programs are eligible for the linked deposit program. However, **Oversight** assumes until there are additional programs the initial impact from this proposal would be zero.

<u>FISCAL IMPACT - State Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This bill changes the laws regarding the State Treasurer's asset allocation plan which limits the total amount of state moneys that may be invested in any particular investment authorized by

FISCAL DESCRIPTION (continued)

Section 15, Article IV of the Missouri Constitution. In its main provisions, the bill:

- (1) Requires the plan to establish diversification limits including a restriction limiting the total amount of time deposits of state moneys, not including linked deposits, placed with any one single banking institution to be no greater than 10% of all time deposits of state moneys;
- (2) Requires the rate of interest payable by all banking institutions on time deposits, other than linked deposits, to be at least the average rate paid during the week next preceding the week in which the deposit was made for United States Treasury securities maturing and becoming payable closest to the time of termination of the deposit. Currently, the rate of interest must be the same as the average rate;
- (3) Allows bonds or other obligations of certain political subdivisions to be acceptable securities for moneys deposited by the State Treasurer in approved banks or financial institutions. Currently, certain political subdivisions can only use bonds;
- (4) Prohibits United States Treasury securities and United States Federal Agency debentures issued by Fannie Mae, Freddie Mac, Federal Home Loan Bank, or Federal Farm Credit Bank valued at market and deposited as collateral from exceeding 105% of the aggregate amount of time deposits and demand deposits. All other securities, except as noted elsewhere, cannot exceed 115% of the aggregated amount of the time deposits and demand deposits;
- (5) Allows eligible multitenant development enterprises, alternative energy consumers, and governmental entities as specified in Section 30.750, RSMo, to acquire a loan through the Linked Deposit Program;
- (6) Expands the definition of "eligible job enhancement business" to include when the applicant can demonstrate significant costs for equipment, capital outlay, or capital improvements associated with the physical expansion, renovation, or modernization of a facility or equipment. The maximum amount of the linked deposit cannot exceed \$50,000 per job created or retained plus the initial cost of the physical expansion, renovation, or capital outlay; and
- (7) Increases the number of employees in the definition of "eligible small business" from less than 25 to less than 100.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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SOURCES OF INFORMATION

Attorney General's Office
Missouri Senate
Department of Agriculture
Missouri House of Representatives
Department of Economic Development
State Treasurer's Office
Department of Natural Resources



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Director
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