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**Financial Institutions & Insurance  
Committee**

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**HB 2463**

**Brief Description:** Funding sources for time certificate of deposit investments.

**Sponsors:** Representatives Kelley, Bailey and Chandler; by request of State Treasurer.

**Brief Summary of Bill**

- Allows funds made available by the State Treasurer for the Time Certificate of Deposit Program to be provided from either treasury surplus funds or funds held under the Local Government Investment Pool.

**Hearing Date:** 1/12/10

**Staff:** Alison Hellberg (786-7152).

**Background:**

Time Certificate of Deposit Program

State law provides a procedure for the management of short term treasury surplus funds by the State Treasurer in order to insure a maximum return while they are on deposit in public depositories. The objectives of the procedures are to minimize non-interest earning demand deposits and provide fair compensation to financial institutions for services rendered to the state through the investment of state funds in time deposits.

Funds not held as demand deposits in public depositories must be available for the Time Certificate of Deposit Investment Program (TCD Program) according to a formula. The State Treasurer apportions an amount equal to five percent of the three-year average mean of general state revenues, as certified in accordance with the constitutional debt limit, or 50 percent of the total surplus treasury investment availability, whichever is less, to participating depositories. Within thirty days after certification, those funds determined to be available according to the

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formula for the TCD Program must be deposited in qualified public depositories. These deposits are allocated among the participating depositories on a basis determined by the State Treasurer.

The formula used to determine what funds will be available to the TCD Program is devised in consideration of deposits, assets, loans, capital structure, and investments. The State Treasurer may, however, adjust the amount of the allocation if the cash flow needs of The State Treasury will be impaired.

Of all funds available under this program, The State Treasurer may use up to \$190 million per year for the Linked Deposit Program.

#### Local Government Investment Pool

The State Treasurer also operates the Local Government Investment Pool (Investment Pool). Local governments may make public funds available for investment and reinvestment by the State Treasurer. The State Treasurer is directed to invest the funds in such manner as to effectively maximize the yield to the Investment Pool. The stated purpose of the Investment Pool is to enable political subdivisions, community and technical college districts, the state board for community and technical colleges, and public four-year institutions of higher education to participate with the state in providing maximum opportunities for the investment of surplus public funds consistent with the safety and protection of the funds.

#### Linked Deposit Program.

The stated purpose of the Linked Deposit Program is to increase access to business capital for the state's certified minority-owned, women-owned, and veteran-owned businesses. The State Treasurer is authorized to use up to \$190 million of short-term state treasury surplus funds for the Linked Deposit Program. These funds are deposited in public depositories as certificates of deposit on the condition that the public depository makes "qualifying loans" under the Linked Deposit Program. The state forgoes up to 2 percent in interest on the certificates of deposit and passes along the savings to the public depository with the condition that the depository reduces the interest rate for the loan recipients.

#### **Summary of Bill:**

The funds made available by the State Treasurer for the TCD Program may be provided from either treasury surplus funds or funds held under the Investment Pool. The State Treasurer may only use state funds available under the TCD Program for use in the Linked Deposit Program.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.