3/19/14 10:33 A.M.

Chapter No. 401
14/HR12/R1610
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HOUSE BILL NO. 1027

Originated in House _____ Clerk

HOUSE BILL NO. 1027

AN ACT TO AMEND SECTION 27-105-33, MISSISSIPPI CODE OF 1972, TO DELETE CERTAIN PROVISIONS REGARDING INVESTMENT OF EXCESS FUNDS; AND FOR RELATED PURPOSES.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MISSISSIPPI:

SECTION 1. Section 27-105-33, Mississippi Code of 1972, is amended as follows:

27-105-33. It shall be the duty of the State Treasurer and the Executive Director of the Department of Finance and Administration on or about the tenth day of each month, and in their discretion at any other time, to analyze carefully the amount of cash in the General Fund of the state and in all special funds credited to any special purpose designated by the State Legislature or held to meet the budgets or appropriations for maintenance, improvements and services of the several institutions, boards, departments, commissions, agencies, persons or entities of the state, and to determine in their opinion when the cash in such funds is in excess of the amount required to meet the current needs and demands of no more than seven (7) business

days on such funds and report their findings to the Governor. It shall be the duty of the State Treasurer to provide a cash flow model for forecasting revenues and expenditures on a bimonthly basis and providing technical assistance for its operation. The Department of Finance and Administration shall use the cash flow model furnished by the State Treasurer, in analyzing the amount of funds on deposit and available for investment.

The State Treasurer is hereby authorized, empowered and directed to invest all such excess general and special funds of the state in the following manner:

(a) Funds shall be allocated equally among all qualified state depositories which do not have demand accounts in excess of One Hundred Fifty Thousand Dollars ($150,000.00) until each qualified depository willing to accept the same shall have on deposit or in security repurchase agreements or in other securities authorized in paragraph (d) of this section at interest the sum of Three Hundred Thousand Dollars ($300,000.00). For the purposes of this subsection, no branch bank or branch office shall be counted as a separate depository.

(b) The balance, if any, of such excess general and special funds shall be offered to qualified depositories of the state on a pro rata basis as provided in Section 27-105-9. For the purposes of this subsection, the pro rata share of each depository shall be reduced by the amount of the average daily collected earning balance of demand deposits maintained by the

State Treasurer pursuant to Section 27-105-9 during the preceding calendar year, and such reduction shall be allocated pro rata among other eligible depositories.

(c) Funds offered pursuant to paragraphs (a) and (b) above shall be invested for periods of up to one (1) year, and shall bear interest at an interest rate no less than that numerically equal to the bond equivalent yield on direct obligations of the United States Treasury of comparable maturity, as determined by the State Treasurer. In determining such rate, the State Treasurer shall consider the Legislature's desire to distribute funds equitably throughout the state to the maximum extent possible.

(d) To the extent that the State Treasurer shall find that general and special funds cannot be invested pursuant to paragraphs (a), (b) and (c) of this section for the stated maturity up to one (1) year, the Treasurer may invest such funds, together with any other funds required for current operation, as determined pursuant to this section, in the following:

(i) Time certificates of deposit or interest-bearing accounts with qualified state depositories. For those funds determined under prudent judgment of the State Treasurer to be made available for investment in time certificates of deposit, the rate of interest paid by the depositories shall be determined by rules and regulations adopted and promulgated by the State Treasurer which may include competitive bids. At the time

of investment, the interest rate on such certificates of deposit under the provisions of this subparagraph shall be a rate not less than the bond equivalent yield on direct obligations of the United States Treasury with a similar length of maturity.

(ii) Direct United States Treasury obligations, the principal and interest of which are fully guaranteed by the government of the United States.

(iii) United States government agency, United States government instrumentality or United States government sponsored enterprise obligations, the principal and interest of which are fully guaranteed by the government of the United States, such as the Government National Mortgage Association; or United States governmental agency, United States government instrumentality or United States government sponsored enterprise obligations, the principal and interest of which are guaranteed by any United States government agency, United States government instrumentality or United States government sponsored enterprise contained in a list promulgated by the State Treasurer. * * *

(iv) Direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in subparagraphs (ii) and (iii) above. "Direct security repurchase agreement" means an agreement under which the state buys, holds for a specified time, and then sells back those securities and obligations enumerated in subparagraphs (ii) and (iii) above. "Reverse direct securities

repurchase agreement" means an agreement under which the state sells and after a specified time buys back any of the securities and obligations enumerated in subparagraphs (ii) and (iii) above. At least eighty percent (80%) of the total dollar amount in all repurchase agreements at any one time shall be pursuant to contracts with qualified state depositories.

(e) For the purposes of this section, direct obligations issued by the United States of America shall be deemed to include securities of, or other interests in, any open-end or closed-end management type investment company or investment trust registered under the provisions of 15 USCS Section 80(a)-1 et seq., provided that the portfolio of such investment company or investment trust is limited to direct obligations issued by the United States of America, United States government agencies, United States government instrumentalities or United States government sponsored enterprises, and to repurchase agreements fully collateralized by direct obligations of the United States of America, United States government agencies, United States government instrumentalities or United States government sponsored enterprises, and the investment company or investment trust takes delivery of such collateral for the repurchase agreement, either directly or through an authorized custodian. The State Treasurer and the Executive Director of the Department of Finance and Administration shall review and approve the investment companies and investment trusts in which funds invested under paragraph (d)

of this section may be invested. The total dollar amount of funds invested in all open-end and closed-end management type investment companies and investment trusts at any one time shall not exceed twenty percent (20%) of the total dollar amount of funds invested under paragraph (d) of this section.

(f) Investments authorized by subparagraphs (ii) and (iii) of paragraph (d) shall mature on such date or dates as determined by the State Treasurer in the exercise of prudent judgment to generate a favorable return to the state and will allow the monies to be available for use at such time as the monies will be needed for state purposes. However, the maturity of securities purchased as enumerated in subparagraphs (ii) and (iii) shall not exceed ten (10) years from date of purchase. Special funds shall be considered those funds created constitutionally, statutorily or administratively which are not considered general funds. All funds invested for a period of thirty (30) days or longer under paragraph (d) shall bear a rate at least equal to the current established rate under paragraph (c) of this section.

(g) Any interest-bearing deposits or certificates of deposit shall not exceed at any time the amount insured by the Federal Deposit Insurance Corporation in any one (1) banking institution, the Federal Savings and Loan Insurance Corporation in any one (1) savings and loan association, or other deposit insurance corporation approved by the State Treasurer, unless the

uninsured portion is collateralized by the pledge of securities in the manner provided by Section 27-105-5.

(h) Unless otherwise provided, income from investments authorized by the provisions of this subsection shall be credited to the State General Fund.

(i) Not more than Five Hundred Thousand Dollars ($500,000.00) of funds may be invested with foreign financial institutions, and the State Treasurer may enter into price contracts for the purchase or exchange of foreign currency or other arrangements for currency exchange in an amount not to exceed Five Hundred Thousand Dollars ($500,000.00) upon specific direction of the Department of Economic and Community Development. The State Treasurer shall promulgate all rules and regulations for applications, qualifications and any other necessary matters for foreign financial institutions.

Any liquidating agent of a depository in liquidation, voluntary or involuntary, shall redeem from the state any bonds and securities which have been pledged to secure state funds and such redemption shall be at the par value or market value thereof, whichever is greater; otherwise, the liquidating agent or receiver may pay off the state in full for its deposits and retrieve the pledged securities without regard to par or market value.

The State Treasurer and the Executive Director of the Department of Finance and Administration shall make monthly reports to the Legislative Budget Office containing a full and

complete statement of all funds invested by virtue of the provisions of this section and the revenues derived therefrom and the expenses incurred therewith, together with all such other information as may seem to each of them as being pertinent to inform fully the Mississippi Legislature with reference thereto.

The State Treasurer shall not deposit any funds on demand deposit with any authorized depository, unless such depository has contracted for interest-bearing accounts or time certificates of deposit.

Notwithstanding the foregoing, any financial institution not meeting the prescribed ratio requirement set forth in Section 27-105-5 whose accounts are insured by the Federal Deposit Insurance Corporation, or any successor to that insurance corporation, may receive state funds in an amount not exceeding the amount which is insured by such insurance corporations and may qualify as a state depository to the extent of such insurance for this purpose only. The paid-in and earned capital funds of such financial institution shall not be included in the computations specified in Section 27-105-9(a) and (b).

SECTION 2. This act shall take effect and be in force from and after July 1, 2014.

PASSED BY THE HOUSE OF REPRESENTATIVES
February 12, 2014

SPEAKER OF THE HOUSE OF REPRESENTATIVES

PASSED BY THE SENATE
March 6, 2014

PRESIDENT OF THE SENATE

APPROVED BY THE GOVERNOR

GOVERNOR
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