

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

<u>ANALYST</u>	<u>STAFF DIRECTOR</u>	<u>REFERENCE</u>	<u>ACTION</u>
1. Fournier	Beggs	1. FT	Fav/CS
2. _____	_____	2. GO	_____
3. _____	_____	3. AP	_____
4. _____	_____	4. _____	_____

SUBJECT: the Treasurer BILL NO. AND SPONSOR: CS/SB 1758 by Fin., Tax & Claim and Senator Bankhead

I. SUMMARY:

A. Present Situation:

Chapter 18, F.S., authorizes the Treasurer to pay all warrants drawn on the treasury by the Comptroller for the disbursement of state funds; to operate a personal check-cashing service at the Capitol; and to invest state funds in certain financial instruments specified in s. 18.10, F.S. The Division of Treasury (division) within the Department of Insurance is responsible for carrying out the duties of the Treasurer.

Investments of State Funds by the Treasurer

The State Board of Administration (board), as defined in s. 215.44, F.S., is composed of the Governor as chairman, the Treasurer, and the Comptroller. This board is authorized to invest all funds in the Retirement System Trust Fund, which trust fund holds contributions paid by members and employers and paying the benefits derived from any investments to the members or their beneficiaries. The Treasurer, on the other hand, is authorized to invest state funds in the general interest of the state when such funds are not needed for disbursement purposes. The Treasurer may deposit such funds in interest-bearing time deposits or savings accounts of any banks and savings and loan associations that will pay rates established by the board, and such rates are not to be less than the prevailing United States treasury bill rates. Should the banks or savings and loan associations be unwilling to pay such rates, the Treasurer may invest such funds in financial instruments as specified in s. 18.10, F.S. These instruments include, among other things, United States Treasury and other federal obligations, commercial paper, corporate obligations, asset-backed securities, and obligations of state and local governments. The board is responsible for approving the investment management plan of the Treasurer.

Exemption of Investment Securities, Services, and Contracts from Bidding Requirements

Chapter 287, F.S., requires that all contractual services costing in excess of the threshold amount in Category Two (currently set at \$10,000) must be awarded by competitive bid. Section 215.44(7), F.S., allows the investment and debt purchasing procedures and contracts of funds held in trust by the board to be exempt from the provisions of chapter 287, F.S. The division makes investment purchases and sales daily, often over the telephone, and indicated that it needs the flexibility of the exemption from chapter 287, F.S., in order to effectively and expeditiously make investment decisions in a manner similar to that of the board.

Florida Security for Public Deposits Act (chapter 280, F.S.)

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The "Florida Security for Public Deposits Act" (chapter 280, F.S.) regulates the deposit of public funds in qualified public depositories (QPD's). QPD's are banks and savings associations that meet certain requirements of chapter 280 and are qualified by the Treasurer to accept public deposits. Public deposits are moneys of the state or any county, school district, community college, special district, metropolitan government, municipality, court, or county officer.

According to the division, certain provisions of chapter 280, F.S., need to be clarified or updated, and several definitions need to be added to provide further clarification. The division currently monitors the accounts of QPD's electronically, and some of the changes proposed by this bill would eliminate provisions that are no longer necessary because of the computerized capability of the division.

Current law requires the Treasurer to publish notice in either one or more newspapers or the Florida Administrative Weekly of the disqualification, suspension, insolvency, or default of a QPD. The Treasurer also publishes such notice in the Florida Administrative Weekly on a quarterly basis. The division indicated that it is unable to ascertain whether those public depositories who are affected would see such notice, and that notification by first-class mail would, to a greater extent, ensure that public depositories were notified.

A QPD can sell or dispose of any of its branches, which may hold public deposits, to an institution that is not a qualified public depository. The QPD must notify the Treasurer, within three days, of such acquisition and any name and address changes occurring as a result of such acquisition. The division indicated that this information can be included in the monthly reports submitted by QPD's. Qualified public depositories are also required to submit an annual report no later than February 15, and this annual report is to include a reconciliation of all public deposits held on the last business day of the preceding year. Most public depositories adhere to a fiscal year of October 1 to September 30, and the QPD's reconcile public depositories' accounts at the end of this fiscal year. Changing the date the QPD's and public depositories submit the annual report to the Treasurer would eliminate the need for additional account reconciliations.

#### State Board of Administration

The State Board of Administration is currently required to submit an annual report to the Legislature by March 1. This report includes an analysis of fund performance, annual beginning and ending portfolio distribution, changes in investment policy, compliance with investment strategy, and an analysis of the cost, return, and risk of each portfolio under internal or external fund management.

#### B. Effect of Proposed Changes:

Last year, a number of changes were made to the chapters relating to the Treasurer and public depositories (Chapter 90-357, Laws of Florida), and this bill further amends and clarifies these chapters. In addition, this bill amends a section in the chapter relating to the State Board of Administration. The most significant changes proposed by the bill would:

- (1) Authorize the Treasurer to hire registered investment advisors and other consultants to assist in investment management and to pay fees to the advisors and consultants fees directly from investment earnings;

- (2) Exempt investment securities, services, and consulting contracts from the bidding requirements of chapter 287, F.S.;
- (3) Change the notification of public depositors to be by first-class mail instead of by publication in newspapers or the Florida Administrative Weekly;
- (4) Allow QPD's to submit certain information along with monthly reports, and change the date for QPD's and public depositors to submit annual reports; and

C. SECTION BY SECTION ANALYSIS:

Section 1: Amends s. 18.02, F.S.

Section 2: Creates s. 18.021, F.S., to separate the personal check-cashing service from the Treasurer's other duties.

Section 3: Amends s. 18.05, F.S., to clarify that the report to the Governor is a summary of receipts and payments.

Section 4: Amends s. 18.07, F.S., to allow other (electronic orders of the Comptroller to be recorded.

Section 5: Amends s. 18.08, F.S., to repeal obsolete language requiring the Comptroller to provide a certificate or receipt of credit to the Treasurer.

Section 6: Amends s. 18.09, F.S., to clarify that the report to be delivered to the Legislature is a summary of receipts and payments, as specified in s. 18.05, F.S.

Section 7: Amends s. 18.091, F.S., to allow additional persons to be employed by the personal check-cashing service during the legislative session.

Section 8: Amends s. 18.10, F.S., to allow other parties permitted by the Treasurer (incorporates language repealed in s. 18.102, F.S.) to deposit monies in qualified public depositories. Clarifies language relating to investment in specified financial instruments. Allows for investment in mortgage-backed securities and derivatives of currently authorized instruments. Authorizes the Treasurer to hire registered investment advisors and other consultants. Exempts investment securities, proprietary investment services related to contracts, performance evaluation services, and advisory and consulting contracts from the provisions of chapter 287, F.S. Repeals language previously clarified in this section of the law. Repeals obsolete language that allows the Treasurer to make investments for the Department of Lottery.

Section 9: Repeals s. 18.102, F.S., which allows other public entities to deposit funds, and s. 18.15, F.S., to eliminate redundant language requiring board approval.

Section 10: Amends s. 280.02, F.S., to update existing and include additional definitions. Defines "current month," "effective date of notice of withdrawal or order of discontinuance," "financial institution," "previous month," and "reported month."

Section 11: Amends s. 280.04, F.S., to clarify existing procedures and language. Adds additional criterion for determining collateral level for QPD's. Repeals obsolete provision requiring a written statement of deposits.

Section 12: Amends s. 280.05, F.S., to repeal obsolete language relating to the collateral held by QPD's.

Section 13: Amends s. 280.051, F.S., to repeal obsolete language requiring a written notice of additional collateral.

Section 14: Amends s. 180.052, F.S., to require the Treasurer to notify public depositors by first-class mail rather than publishing notice of disqualification or suspension of a QPD in newspapers or the Florida Administration Weekly.

Section 15: Amends Section 280.053 clarifying period of suspension or disqualification.

Section 16: Amends s. 180.06, F.S., to change deposit to deposits.

Section 17: Amends s. 180.085, F.S., to require the Treasurer to notify public depositors by first-class mail rather than publishing notice of default or insolvency of a QPD in newspapers or in the Florida Administrative Weekly.

Section 18: Amends s. 280.09, F.S., to change deposit to deposits.

Section 19: Amends s. 180.10, F.S., to allow QPD's to submit certain information in monthly reports.

Section 20: Amends s. 280.11, F.S., to change deposit to deposits.

Section 21: Amends s. 280.13, F.S., to provide a technical change to clarify that securities in entire section can be pledged as collateral by banks.

Section 22: Amends s. 280.14, F.S., to provide a technical change to clarify that securities in entire section can be pledged as collateral by savings and loans associations.

Section 23: Amends s. 280.16, F.S., to clarify and update language. Changes the date that annual reports are to be submitted by QPD's to November 15.

Section 24: Amends s. 180.17, F.S., to require a public depositor to notify Treasurer immediately upon receiving notice that its QPD is insolvent or in default. Changes the date that annual reports are to be submitted by public depositors to November 15 and requires certain information to be included in such reports.

Section 25: Amends s. 215.44 changing the date of the Board of Administrations report to the Legislature from March 1 to January 1 and listing items required in the report.

Section 26: Provides an effective date of July 1, 1991, or upon becoming law.

## II. ECONOMIC IMPACT AND FISCAL NOTE:

### A. Public:

None.

### B. Government:

The Division of Treasury indicates that the cost per notification of notifying public depositors by first-class mail will be approximately \$350, compared to \$7,000 for newspaper advertisement or \$250 for advertisement in the Florida Administrative Weekly. Only one such publication has been made since 1983.

REVISED: \_\_\_\_\_

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III. MUNICIPALITY/COUNTY MANDATES RESTRICTIONS:

None.

IV. COMMENTS:

None.

V. AMENDMENTS:

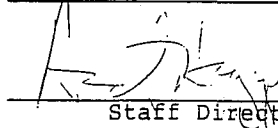
None.

STATEMENT OF SUBSTANTIAL CHANGES CONTAINED IN  
COMMITTEE SUBSTITUTE FOR  
Senate Bill 1758

This Committee Substitute:

1. Changes the definition of "effective date of suspension or withdrawal" to "effective date of notice of withdrawal or order of discontinuance."
2. Amends s. 28.053 to clarify the effective date of suspension or disqualification of a qualified public depository.
3. Amends s. 215.44 to change the date the State Board of Administration is to submit its annual report to the Legislature, and specifies what items should be included in said report.

Committee on Finance, Taxation and Claims

  
Staff Director

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