

State to shift some short-term funds into Vermont banks

By Shawn Turner
Free Press Staff Writer

The Vermont State Treasurer's Office plans to invest up to \$25 million of short-term money in state banks, state Treasurer Jeb Spaulding said Monday.

Currently, a majority of the cash is invested mostly in government agency securities, money market accounts, and other financial vehicles. The state has \$200 million invested in short-term funds, a majority of which is located out-of-state, Spaulding said.

Under the Treasurer's Bank in Vermont program, however, banks can bid on how much money it wants the state to invest in them and what rate of return the banks can promise.

"The actual rate of return depends on how long they're going out for. A rate of 1 percent is what we're getting right now," on commercial paper and government securities, he said.

The money could be invested locally as early as this summer. Spaulding said this could be called the state's own "shop locally" campaign.

"This is a way where we think we can invest in Vermont banks and allow them to put the money to work on a community level," he said.

The banks eligible for the program need only have a branch in Vermont and not necessarily be based only in Vermont, he said.

The way the program works is that the state will buy certificates of deposit in chunks of at least \$100,000. The maximum investment level will be determined by factors including the bank's size.

The money will stay invested for periods of up to 120 days and, in some cases, up to two years, Spaulding said.

The banks in the program must have a satisfactory rating under the federal Community Reinvestment Act of 1977, Spaulding said. The act mandates that a bank's lending record should be evaluated periodically to make sure it is meeting the needs of its customers.