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Treasurer's Bank in Vermont Program Continues to Grow

Montpelier – Nine Vermont banks have been awarded over \$35 million in investments of varying maturities from the State Treasurer's Office under an initiative by State Treasurer Jeb Spaulding. Spaulding unveiled the *Treasurer's Bank in Vermont Program* last summer in order to support community banking while earning a competitive return on State short-term funds. Since then, 14 banks have qualified for participation and Spaulding expects more to join the program in the months ahead.

"At the moment we have \$27 million dollars -- money that would have gone out of state -- invested in eight Vermont banks that have strong records of community support. Since we are also getting very attractive rates on our investments, I would have to say this new program is exceeding our expectations," Spaulding said.

Historically, the State's short-term cash has been invested primarily out of state in government agency securities, high quality corporate commercial paper, and money market accounts at large financial institutions. Under this new program, a total of approximately \$30 million of State funds is available for bid on an ongoing basis by banks with branches in Vermont. Bids are accepted through the Internet on the first Wednesday of each month; amounts offered, maturities, and other terms are based on State cash-flow projections and current interest rates. The Office of the State Treasurer invests in bank CDs based on rank order of quoted bid rates and associated dollar levels until available funds are depleted for each scheduled bidding period.

Participating banks are pre-approved by the Office of the State Treasurer for maximum levels of investment based on a bank's size and other factors. In addition, participating banks must have at least a "satisfactory" rating under the federal Community Reinvestment Act of 1977.

According to Spaulding, "The program is designed to be attractive to the wide range of banking institutions in Vermont, and is predicated on the belief that investing Vermont funds in Vermont, consistent with earning a competitive rate of return, is a good policy."

Spaulding said he would like to include Vermont-based credit unions in the *Treasurer's Bank in Vermont* program, but that State law does not currently include these institutions as eligible for investments by the State Treasury. He plans to ask the Legislature to update the State investment statutes to include credit unions.

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