



STATE OF VERMONT
OFFICE OF THE STATE TREASURER

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Treasurer Expands Successful Banking Program

Montpelier –The Vermont State Treasurer’s Office is expanding an initiative that invests State cash in Vermont banks, rather than in a variety of out-of-state investment instruments.

State Treasurer Jeb Spaulding unveiled the *Treasurer’s Bank in Vermont Program* last summer in order to support community banking while earning a competitive return on Vermont’s short-term funds. Since then, 16 banks with branches in Vermont have qualified for participation and 11 have been awarded investments of varying maturities from the Treasurer’s Office. Initially, the program was limited to \$25 million, but due its success, the Treasurer is expanding the funds available for bid on an ongoing basis by Vermont banks to \$40 million.

“I’m so enthusiastic about this program because it is such a win-win situation; we’re keeping our money at home and getting returns as good or better than with the out-of-state investment vehicles we have used. What’s more, all of these banks are actively engaged in supporting our communities,” Treasurer Spaulding stated.

According to Spaulding, the State’s short-term cash has traditionally been invested out-of-state in government agency securities, high quality corporate commercial paper, and money market accounts at large financial institutions. Under the new program, pre-qualified banks with branches in Vermont bid for state funds through the internet. Bids take place 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 Treasurer’s Office 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.

During March’s round of bidding on Wednesday, ten (10) banks submitted bids. Five (5) were successful and received investments from the State Treasurer’s Office. The Bank of Bennington, Charter One Bank, Chittenden Trust Company, Mascoma Savings Bank, and Passumpsic Savings Bank were awarded investments totaling \$9 million from the State Treasurer’s Office.

“We now have \$35 million dollars - money that would have gone out of state - invested in a number of Vermont banks that have strong records of community support. Since we are also getting a better return on our investments, I would have to say this new program is meeting or exceeding our expectations. That is why we have increased the total available for bid from the \$25 million level we started with to a level of \$40 million,” Spaulding explained.

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.”

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.

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