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STATE COMPTROLLER



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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

OSC No. 28R-1

MEMORANDUM
RE
AN ACT

to amend the state finance law, in relation to increasing the limit on short term investment pool investments

PURPOSE: This bill would allow for an increase in the dollar amount the Comptroller is permitted to hold in indebtedness of certain agencies, corporations and bank or trust companies.

SUMMARY OF PROVISIONS: This bill would amend subdivisions 3-a, 18 and 19 of section 98 of the State Finance Law to increase from 250 million dollars to 750 million dollars the maximum investment that the Comptroller may hold in (i) the debt of a single federal agency which receives the highest rating of all independent rating agencies that rate its obligations; (ii) obligations of certain corporations; and (iii) investments in banker's acceptance of any one bank or trust company.

JUSTIFICATION: In the late 1980's, more than two decades ago, legislation was enacted that expanded the list of investments that the Comptroller may invest in for the State's Short Term Investment Pool (STIP). At that time the maximum balance in STIP was under five billion dollars and the limit for each investment was set at 250 million dollars which represented approximately five percent of the total pool. Since that time the STIP balance has more than tripled, at times exceeding 16 billion dollars, while the limits have remained unchanged. At current levels, the investment limits are met very quickly resulting in a large portion of STIP being invested in lower yielding Treasury bills and securities. Increasing the limits to 750 million dollars (which would be less than ten percent of the total portfolio) will allow STIP to enhance investment income. If over the next few years current conditions continue to prevail, with this change, STIP could potentially earn an additional 15 million dollars yearly due to the difference in spreads between low yielding Treasury bills and securities and those investments that currently are limited to 250 million dollars.

The Comptroller urges the passage of this legislation.

PRIOR LEGISLATIVE HISTORY: New Bill

FISCAL IMPLICATIONS: None to the State.

EFFECTIVE DATE: This act shall take effect immediately.

