



STATE OF MAINE
OFFICE OF THE STATE TREASURER
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www.maine.gov/treasurer

TERRY HAYES
Treasurer of State
KRISTI L. CARLOW
Deputy State Treasurer

Testimony of Terry Hayes, State Treasurer

In opposition to: L.D. 24 "An Act to Create a Public State Bank"

Tuesday, February 3, 2015

Senator Whitemore, Rep. Beck, and members of the Joint Standing Committee on Insurance and Financial Services:

My opposition to this bill focuses on *subsection 1252. Bank established; purposes...*

1. *Economic development. To support job creation in and the economic development of the State by increasing access to capital for businesses and farms within the State in partnership with local financial institutions;*

- Access to capital is not an issue for businesses in Maine at this time
 - Existing programs available through F.A.M.E., S.B.A, others are sufficient to meet existing needs
 - Maine Economic Growth Council - Maine Prosperity Action Plan (3/13) - The 125th legislature passed legislation charging the Maine Economic Growth Council with developing the Maine Prosperity Action Plan. The Council was tasked with reviewing a number of recent reports on Maine's economy, analyzing their common themes, and distilling them into a comprehensive, specific action plan for Maine's economic growth.
- See <http://www.mdf.org/publications/Maine-Prosperity-Action-Plan/642/>. This report does not identify access to capital among priority action areas to improve Maine's economic growth.

2. *Financial Stability. To provide stability to the State's financial sector, but not to compete with state-chartered financial institutions, credit unions, or other financial institutions;*

- Maine's financial sector is stable given the existing processes for handling our State finances;
- Passage of this legislation would create unnecessary and unhealthy instability in the State's financial sector;

3. *Basic banking services. To reduce costs paid by the State for basic banking services;*

- The State Treasurer took measures to significantly reduce the costs of basic banking services by bifurcating the State's banking contract in the most recent round of RFPs in 2012 (implemented in 2012 and 2013). Over the five (5) year life of the three (3) contracts, the State is expected to save approximately \$2.5 million.
- Based on that recent RFP process, it is our belief that implementing a Maine Street Bank as outlined in this bill would not generate additional savings, but would in fact increase costs for basic banking services.

4. *Return profits. To return profits, beyond the revenue needed to accomplish the purposes and for continued sound operation of the bank, to the Maine Stabilization Fund established in Title 5, section 1532.*

- Wall St. is not making money from Maine tax revenue in our existing strategies for managing the State's finances;
- State cash pool monies are currently deposited in a variety of different banks, including national and state banks (see attached report);
- We manage short term investments to generate revenue from available cash pool resources throughout the fiscal year;
- Interest earnings from cash pool investments are already transferred to the fund balance at the end of the fiscal year and made available to the cascade, including Maine's budget stabilization fund;
- The State's cash pool has been managed so effectively for the past 8 years that we have not had to incur costs borrowing on Tax Anticipation Notes.

In summary, as State Treasurer I oppose this bill because I do not believe that the purposes listed in the legislation reflect needs in Maine's economic and financial sectors at this time, and because, despite the laudable intentions of the bill, passage would result in significant instability in Maine's financial sector.

Thank you.

Maine State Treasurer
 Portfolio Holdings
 As of December 31, 2014

| DESCRIPTION | PURCHASE DATE | Coupon Rate | Maturity Date/Call | Par Value | Original Cost | Accrued Interest | Amortized Cost | Fair Value | Unrealized Gain/Loss | Accrued Interest | Interest Received | Interest Earned | Total Interest | Yield |
|-----------------------------|---------------|-------------|--------------------|-----------------------|-----------------------|------------------|-----------------------|-----------------------|----------------------|------------------|-------------------|------------------|------------------|---------------|
| CASH AND EQUIVALENTS | | | | | | | | | | | | | | |
| BAR HARBOR BANK & TRUST | 12/31/14 | 0.250 V | | 10,000,000.00 | 10,000,000.00 | 0.00 | 10,000,000.00 | 10,000,000.00 | 0.00 | 0.00 | 1,917.84 | 2,260.30 | 2,260.30 | 1.53% |
| CITIZENS BANK | 12/31/14 | 0.150 V | | 60,000,000.00 | 60,000,000.00 | 0.00 | 60,000,000.00 | 60,000,000.00 | 0.00 | 0.00 | 10,109.44 | 9,180.62 | 9,180.62 | 9.20% |
| BANGOR SAVINGS BANK NOW | 12/31/14 | 0.120 V | | 50,000,000.00 | 50,000,000.00 | 0.00 | 50,000,000.00 | 50,000,000.00 | 0.00 | 0.00 | 4,602.74 | 5,095.89 | 5,095.89 | 7.66% |
| TD BANKNORTH | 12/31/14 | 0.160 V | | 40,000,000.00 | 40,000,000.00 | 0.00 | 40,000,000.00 | 40,000,000.00 | 0.00 | 0.00 | 1,975.90 | 3,969.67 | 3,969.67 | 6.13% |
| CITIGROUP GOVERNMENT NOW | 12/31/14 | 0.100 V | | 200,000,000.00 | 200,000,000.00 | 0.00 | 200,000,000.00 | 200,000,000.00 | 0.00 | 0.00 | 0.00 | 16.99 | 100.84 | 0.03% |
| BANK OF AMERICA NOW | 12/31/14 | 0.130 V | | 20,000,000.00 | 20,000,000.00 | 0.00 | 20,000,000.00 | 20,000,000.00 | 0.00 | 0.00 | 2,136.98 | 2,208.19 | 2,208.19 | 3.07% |
| ANDROSCOGGIN BANK | 12/31/14 | 0.200 V | | 250,000.00 | 250,000.00 | 0.00 | 250,000.00 | 250,000.00 | 0.00 | 0.00 | 0.00 | 45.24 | 252.16 | 0.04% |
| BATH SAVINGS | 12/31/14 | 0.200 V | | 13,000,000.00 | 13,000,000.00 | 0.00 | 13,000,000.00 | 13,000,000.00 | 0.00 | 0.00 | 1,994.54 | 2,350.72 | 2,350.72 | 1.99% |
| BIDDEFORD SAVINGS BANK | 12/31/14 | 0.050 V | | 200,000.00 | 200,000.00 | 0.00 | 200,000.00 | 200,000.00 | 0.00 | 0.00 | 0.00 | 9.04 | 50.41 | 0.03% |
| CAMDEN NATIONAL BANK | 12/31/14 | 0.130 V | | 85,000,000.00 | 85,000,000.00 | 0.00 | 85,000,000.00 | 85,000,000.00 | 0.00 | 0.00 | 8,477.12 | 9,385.43 | 9,385.43 | 13.03% |
| GOLDMAN SACHS MMF | 12/31/14 | 0.010 V | | 1.00 | 1.00 | 0.00 | 1.00 | 1.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.01% |
| U.S. BANK | 12/31/14 | 0.100 V | | 69,750,000.00 | 69,750,000.00 | 0.00 | 69,750,000.00 | 69,750,000.00 | 0.00 | 0.00 | 8,448.32 | 5,529.66 | 5,529.66 | 10.69% |
| MISCELLANEOUS INCOME | 12/31/14 | 0.000 V | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 1.90 | 1.90 | 0.00 | 0.00% |
| TOTAL | | | | 348,400,001.00 | 348,400,001.00 | 0.00 | 348,400,001.00 | 348,400,001.00 | 0.00 | 0.00 | 38,664.78 | 40,053.65 | 40,365.89 | 53.40% |

**Maine State Treasurer
Portfolio Holdings
As of December 31, 2014**

| DESCRIPTION | PURCHASE DATE | COUPON RATE | MATURITY DATE | PAR VALUE | COST/ACQUIRED COST | AMORTIZED COST | UNREALIZED GAIN (LOSS) | FAIR VALUE | UNREALIZED GAIN (LOSS) | ACQUIRED | INTEREST RECEIVED | INTEREST EARNED | TOTAL ACQUIRED INTEREST | ALLOCATION | YIELD |
|--|---------------|-------------|---------------|----------------------|----------------------|----------------------|------------------------|----------------------|------------------------|-------------|-------------------|-----------------|-------------------------|---------------|--------------|
| COMMERCIAL PAPER | | | | | | | | | | | | | | | |
| HSBC USA INC COMM PAPER 404273NNNS | 08/03/14 | 0.000 | 01/22/15 | 10,000,000.00 | 9,992,166.67 | 9,998,833.30 | 6,666.67 | 1,722.20 | 1,450.00 | 0.00 | 0.00 | 0.00 | 0.00 | 1.53% | 0.200 |
| US BANK NA COMM PAPER 903490SP9 | 12/31/14 | 0.150 | 01/30/15 | 10,000,000.00 | 10,000,000.00 | 10,000,000.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 41.67 | 41.67 | 1.53% | 0.150 |
| GENERAL ELEC CAP CORP COMM PAPER 36553UP98 | 08/12/14 | 0.000 | 02/09/15 | 9,900,000.00 | 9,890,045.00 | 9,897,854.97 | 7,809.97 | 1,704.98 | 891.00 | 0.00 | 0.00 | 0.00 | 0.00 | 1.52% | 0.200 |
| BNP PARIBAS FINANCE INC COMM PAPER 0556N1PP2 | 09/25/14 | 0.000 | 02/23/15 | 10,000,000.00 | 9,988,255.56 | 9,995,877.80 | 7,622.24 | 2,411.10 | 2,510.00 | 0.00 | 0.00 | 0.00 | 0.00 | 1.53% | 0.280 |
| BANK OF TOKYO MITSUBISHI LTD CP 06536CP90 | 08/25/14 | 0.000 | 02/23/15 | 10,000,000.00 | 9,990,772.22 | 9,996,751.10 | 5,978.88 | 1,894.40 | 1,840.00 | 0.00 | 0.00 | 0.00 | 0.00 | 1.53% | 0.220 |
| CREDIT AGRICOLE CIB NY COMM PAPER 2253UQ22 | 12/03/14 | 0.000 | 03/02/15 | 10,000,000.00 | 9,995,302.78 | 9,996,833.30 | 1,530.52 | 1,530.52 | 1,927.22 | 0.00 | 0.00 | 0.00 | 0.00 | 1.53% | 0.190 |
| TOYOTA MOTOR CREDIT CORP CP 8923HQ88 | 08/12/14 | 0.000 | 03/09/15 | 10,000,000.00 | 9,986,647.22 | 9,995,719.40 | 9,072.18 | 1,980.50 | 1,630.00 | 0.00 | 0.00 | 0.00 | 0.00 | 1.53% | 0.230 |
| TOTAL | | | | 69,900,000.00 | 69,843,189.45 | 69,881,879.87 | 11,243.70 | 69,887,627.80 | 10,228.22 | 0.00 | 0.00 | 41.67 | 41.67 | 10.71% | 0.210 |
| CERTIFICATES OF DEPOSIT | | | | | | | | | | | | | | | |
| NORTHEAST BANK CERT DEPOS | 04/12/14 | 0.400 | 04/12/15 | 240,000.00 | 240,000.00 | 240,000.00 | 0.00 | 240,000.00 | 0.00 | 0.00 | 0.00 | 82.67 | 704.00 | 0.04% | 0.400 |
| SACO & BIDDEFORD SAVINGS CDS | 12/11/13 | 0.600 | 12/11/15 | 247,000.00 | 247,000.00 | 247,000.00 | 0.00 | 247,000.00 | 0.00 | 0.00 | 0.00 | 127.61 | 1,589.03 | 0.04% | 0.605 |
| BIDDEFORD SAVINGS BANK CDS | 12/27/13 | 0.750 | 12/27/15 | 3,000,000.00 | 3,000,000.00 | 3,000,000.00 | 0.00 | 3,000,000.00 | 0.00 | 0.00 | 0.00 | 1,937.50 | 23,126.00 | 0.46% | 0.755 |
| BAR HARBOR BANK & TRUST CDS | 07/28/14 | 0.470 | 05/27/16 | 500,000.00 | 500,000.00 | 500,000.00 | 0.00 | 500,000.00 | 0.00 | 0.00 | 0.00 | 202.36 | 1,024.86 | 0.08% | 0.468 |
| CAMDEN NATIONAL BANK CDS | 08/20/14 | 0.550 | 07/20/16 | 1,900,000.00 | 1,900,000.00 | 1,900,000.00 | 0.00 | 1,900,000.00 | 0.00 | 0.00 | 0.00 | 870.83 | 3,802.64 | 0.29% | 0.548 |
| TOTAL | | | | 5,887,000.00 | 5,887,000.00 | 5,887,000.00 | 0.00 | 5,887,000.00 | 0.00 | 0.00 | 0.00 | 3,220.97 | 30,245.53 | 0.90% | 0.643 |

Maine State Treasurer
Portfolio Holdings
As of December 31, 2014

| DESCRIPTION | PURCHASE DATE | Coupon Rate | Maturity Date | Fair Value | Original Cost | Accrued Interest | Unrealized Gain/Loss | Unrealized Gain/Loss | Accrued Interest | Unrealized Gain/Loss | Accrued Interest | Yield |
|--|---------------|-------------|---------------|----------------------|-----------------------------------|------------------|--------------------------------------|----------------------|------------------|----------------------|-------------------|---------------|
| | | | | Fair Value | Cost/Acquired Cost | Interest | Change in Fair Value | Change in Fair Value | Received | Change in Fair Value | Received | Allocation |
| U.S. TREASURIES | | | | | | | | | | | | |
| US TREASURY NOTES 912828QP6 | 06/04/13 | 1.750 | 05/31/16 | 10,000,000.00 | 10,374,608.38 (10,686.10) | 0.00 | 10,177,639.40 (39,060.00) | 4,390.60 | 0.00 | 14,903.85 | 15,384.62 | 1.56% |
| US TREASURY NOTES 912828VL1 | 08/11/14 | 0.625 | 07/15/16 | 5,200,000.00 | 5,216,250.00 2,384.51 | 0.00 | 5,212,965.49 (707.67) | (2,829.89) | 0.00 | 2,737.77 | 15,013.59 | 0.80% |
| US TREASURY NOTES 912828X1 | 08/01/14 | 1.500 | 07/31/16 | 10,000,000.00 | 10,182,812.50 407.61 | 0.00 | 10,144,922.60 (38,290.00) | 8,197.40 | 0.00 | 12,635.87 | 62,771.74 | 1.56% |
| US TREASURY NOTES 912828L2 | 11/04/14 | 3.125 | 10/31/16 | 10,000,000.00 | 10,512,103.38 3,453.04 | 0.00 | 10,471,021.80 (53,910.00) | (17,901.80) | 0.00 | 26,761.05 | 53,522.10 | 1.60% |
| US TREASURY NOTES 912828J6 | 12/23/13 | 0.875 | 11/30/16 | 10,000,000.00 | 10,042,187.50 0.00 | 0.00 | 10,027,573.50 (1,221.10) | 16,176.50 | 0.00 | 7,451.93 | 7,692.31 | 1.54% |
| US TREASURY NOTES 912828RX0 | 01/10/14 | 0.875 | 12/31/16 | 10,000,000.00 | 10,000,390.63 0.00 | 0.00 | 10,000,267.00 (11.10) | 37,233.00 | 0.00 | 43,750.00 | 241.71 | 1.54% |
| US TREASURY NOTES 912828SM3 | 04/29/14 | 1.000 | 03/31/17 | 9,750,000.00 | 9,782,753.91 0.00 | 0.00 | 9,775,252.99 (948.87) | 15,882.26 | 0.00 | 8,303.57 | 24,910.71 | 1.50% |
| US TREASURY NOTES 912828SY7 | 06/04/14 | 0.625 | 05/31/17 | 15,000,000.00 | 14,895,703.13 0.00 | 0.00 | 14,915,634.75 2,952.30 | (1,181.62) | 0.00 | 7,984.21 | 8,241.76 | 2.29% |
| US TREASURY NOTES 912828TB6 | 12/05/14 | 0.750 | 06/30/17 | 10,000,000.00 | 9,978,125.00 0.00 | 0.00 | 9,878,752.50 627.50 | (16,252.50) | (32,201.09) | 37,500.00 | 207.18 | 1.53% |
| TOTAL | | | | 89,950,000.00 | 90,984,941.43 6,245.16 | 0.00 | 90,704,050.03 (39,632.64) | 43,713.95 | 81,250.00 | 93,659.20 | 187,965.72 | 13.91% |
| FEDERAL AGENCY SECURITIES | | | | | | | | | | | | |
| FNMA GLOBAL BENCHMARK NOTES 31359MH89 | 03/21/13 | 5.000 | 03/15/16 | 25,000,000.00 | 26,364,032.25 0.00 | 0.00 | 26,364,032.25 (194,050.00) | 192.75 | 0.00 | 104,166.67 | 365,055.56 | 4.04% |
| FNMA GLOBAL BENCHMARK NOTES 31359MH89 | 05/24/13 | 5.000 | 03/15/16 | 15,000,000.00 | 16,897,950.00 0.00 | 0.00 | 15,817,686.15 (82,430.00) | 896.85 | 0.00 | 62,500.00 | 220,833.33 | 2.42% |
| FANNIE MAE GLOBAL NOTES 31359GVAB | 09/05/13 | 0.500 | 03/30/16 | 20,000,000.00 | 19,874,600.00 0.00 | 0.00 | 19,838,847.00 4,067.60 | 179,453.00 | 0.00 | 8,333.34 | 25,277.78 | 3.08% |
| FANNIE MAE GLOBAL NOTES 31359GVAB | 09/23/14 | 0.500 | 03/30/16 | 10,000,000.00 | 10,011,800.00 0.00 | 0.00 | 10,009,691.30 (645.80) | 49,458.70 | 0.00 | 4,186.67 | 12,638.89 | 1.54% |

**Maine State Treasurer
Portfolio Holdings
As of December 31, 2014**

| DESCRIPTION | PURCHASE DATE | COUPON RATE | Maturity DATE | ISS VALUE | COST BASIS | AMORTIZED COST BASIS | ACQUISITION AMOUNT | FAIR VALUE | UNREALIZED GAIN | UNREALIZED LOSS | ACQUIRED | INTEREST RECEIVED | INTEREST EARNED | TOTAL ACCRUED INTEREST | ALLOCATION | YIELD |
|---------------------------------------|---------------|-------------|---------------|----------------|----------------|----------------------|--------------------|----------------|-----------------|-----------------|------------|-------------------|-----------------|------------------------|------------|-------|
| | | | | | | | | | | | | | | | | |
| FREDDIE MAC GLOBAL NOTES 3137EAD09 | 05/14/13 | 0.500 | 05/13/16 | 25,000,000.00 | 25,036,290.00 | 25,017,503.75 | (1,064.50) | 25,006,800.00 | (8,703.75) | (58,350.00) | 0.00 | 0.00 | 10,416.67 | 16,666.67 | 3.83% | 0.449 |
| FLHB NOTES 3130V3370 | 11/17/14 | 0.625 | 11/23/16 | 10,000,000.00 | 10,000,790.00 | 10,000,740.90 | (32.50) | 9,988,250.00 | (12,490.90) | (21,810.00) | 0.00 | 0.00 | 5,208.33 | 6,597.22 | 1.53% | 0.621 |
| FINRA NOTES 313560JAZ | 09/02/14 | 1.125 | 04/27/17 | 15,050,000.00 | 15,136,838.50 | 15,126,157.97 | (2,706.44) | 15,133,948.90 | 7,790.93 | (49,318.59) | 0.00 | 0.00 | 14,109.37 | 30,100.00 | 2.32% | 0.904 |
| FREDDIE MAC GLOBAL NOTES 3137EADH9 | 08/13/14 | 1.000 | 08/29/17 | 15,000,000.00 | 15,009,450.00 | 15,008,235.75 | (264.45) | 15,029,595.00 | 21,299.25 | (45,720.00) | 0.00 | 75,000.00 | 12,500.00 | 833.33 | 2.30% | 0.978 |
| TOTAL | | | | 135,050,000.00 | 140,331,928.50 | 137,292,907.07 | (151,028.69) | 137,520,743.90 | 237,836.83 | (335,692.89) | 0.00 | 75,000.00 | 221,401.05 | 681,002.78 | 21.08% | 0.613 |
| GRAND TOTAL | | | | 649,187,001.00 | 655,447,099.38 | 652,158,637.97 | (179,417.63) | 652,443,136.68 | 287,298.71 | (32,201.09) | 195,914.78 | 358,376.54 | 939,659.59 | 100.00% | 0.329 | |