

REFERENCE TITLE: state treasurer; administration; management fund

State of Arizona  
Senate  
Forty-eighth Legislature  
Second Regular Session  
2008

## **SB 1139**

Introduced by  
Senator Burns; Representative Pearce; Senator Harper; Representative  
Murphy

AN ACT

AMENDING SECTIONS 35-313, 35-316, 35-323.01 AND 41-177, ARIZONA REVISED  
STATUTES; RELATING TO THE STATE TREASURER.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 35-313, Arizona Revised Statutes, is amended to  
3 read:

4 35-313. Investment of trust and treasury monies; loan of  
5 securities

6 A. The state treasurer shall invest and reinvest trust and treasury  
7 monies in any of the following items:

8 1. Obligations issued or guaranteed by the United States or any of its  
9 agencies, sponsored agencies, corporations, sponsored corporations or  
10 instrumentalities.

11 2. Collateralized repurchase agreements purchased from securities  
12 dealers that make markets in those securities listed in paragraph 1 of this  
13 subsection.

14 3. Bonds or other evidences of indebtedness of this state or any of  
15 the counties or incorporated cities, towns or duly organized school  
16 districts.

17 4. Commercial paper whose issuer is rated in one of the two highest  
18 rating categories for short-term obligations by any two nationally recognized  
19 statistical rating organizations.

20 5. Bills of exchange or time drafts known as bankers acceptances ~~which~~  
21 ~~THAT~~ are drawn on and accepted by a commercial bank.

22 6. Negotiable certificates of deposit issued by a nationally or state  
23 chartered bank or savings and loan association.

24 7. Bonds, debentures, notes or other evidences of indebtedness ~~which~~  
25 ~~THAT~~ are issued by entities organized and doing business in the United States  
26 and ~~which THAT~~ carry as a minimum one of the Baa ratings of Moody's investors  
27 service or one of the BBB ratings of Standard and Poor's rating service or  
28 their successors.

29 8. Securities of or any other interests in any open-end or closed-end  
30 management type investment company or investment trust registered under the  
31 investment company act of 1940 (54 Stat. 789; 15 United States Code sections  
32 80a-1 through 80a-64), as amended, if both of the following apply:

33 (a) The investment company or investment trust takes delivery of the  
34 collateral for any repurchase agreement either directly or through an  
35 authorized custodian.

36 (b) The investment policy of the investment company or investment  
37 trust includes seeking to maintain a constant share price.

38 9. Certificates of deferred property taxes as provided by section  
39 42-17309.

40 10. Treasurer's warrant notes issued pursuant to section 35-185.01 or  
41 registered warrants of a county issued pursuant to section 11-605, if the  
42 yield is equal to or greater than yields on eligible investment instruments  
43 of comparable maturities.

1 11. Shares in the treasurer's local government investment pools  
2 provided that investment policies of the pool seek to maintain a constant  
3 share price.

4 12. SHARES IN THE TREASURER'S LOCAL GOVERNMENT LONG-TERM INVESTMENT  
5 POOLS, WHICH MAY MAINTAIN A FLOATING SHARE PRICE PURSUANT TO THE TERMS OF THE  
6 POOLS AS DETERMINED BY THE STATE BOARD OF INVESTMENT.

7 ~~12.~~ 13. Subject to subsection D of this section, state transportation  
8 board funding obligations delivered pursuant to section 28-7678.

9 ~~13.~~ 14. Certificates of deposit purchased in accordance with the  
10 procedures prescribed in section 35-323.01.

11 B. In case of default or failure to honor a county treasurer's  
12 warrant, the state treasurer may withhold the first state shared revenues  
13 that would otherwise be distributed to the defaulting county in the amount  
14 necessary to honor the note including accrued interest to and beyond the date  
15 of default.

16 C. The state treasurer may contract to loan securities owned by the  
17 trust funds and operating monies deposited in the investment pools pursuant  
18 to section 35-316, subsection B to the financial or dealer community through  
19 one or more of the entities listed in section 35-317, subsection A, or  
20 authorized by the board of investment pursuant to section 35-311, subsection  
21 E, if the borrower transfers collateral to the state treasurer or acting  
22 agent of the state in the form of cash or securities specified in subsection  
23 A of this section. Collateral posted in the form of cash shall be in an  
24 amount equal to at least one hundred per cent of the market value of the  
25 loaned securities as agreed. Collateral posted in the form of securities  
26 shall be in an amount of no more than one hundred ten per cent of the market  
27 value of the loaned securities as established from time to time by the board  
28 of investment. The loaned securities shall be valued as to market value  
29 daily, and, if necessary, the borrower shall post additional collateral, as  
30 agreed, to ensure that the required margin is maintained. The state  
31 treasurer may collect from the borrower all dividends, interest, premiums,  
32 rights and other distributions to which the lender of securities would  
33 otherwise be entitled. The state treasurer may terminate the contract on not  
34 less than five business days' notice, as agreed, and the borrower may  
35 terminate the contract on not less than two business days' notice, as agreed.

36 D. The state treasurer shall invest operating monies in state  
37 transportation board funding obligations delivered pursuant to section  
38 28-7678 pursuant to the following:

39 1. The state treasurer shall liquidate investments of operating monies  
40 if necessary in order to invest in state transportation board funding  
41 obligations, except that if operating monies in the state general fund fall  
42 below an eight hundred million dollar average over the previous twelve  
43 consecutive months, the state treasurer is not required to purchase state  
44 transportation board funding obligations pursuant to this subsection.

1           2. Each series of state transportation board funding obligations shall  
2 bear interest at a fixed interest rate equal to the mean bid-ask price of the  
3 United States treasury obligation with a maturity date closest to the  
4 maturity date of the state transportation board funding obligation as  
5 published most recently in the Wall Street Journal before the date the state  
6 treasurer receives a certificate from the state transportation board that  
7 states the board's determination to deliver an obligation to the state  
8 treasurer and the anticipated delivery date of the obligation. The delivery  
9 date shall be between fifteen and sixty days after the day the state  
10 treasurer receives the certificate.

11           3. The state treasurer shall provide written notice to the state  
12 transportation board and the director of the department of transportation  
13 when the operating monies fall below four hundred million dollars. If  
14 operating monies fall below two hundred million dollars, the state treasurer  
15 may call the investment in the state transportation board funding obligations  
16 in twenty-five million dollar increments up to the amount that the operating  
17 monies are below two hundred million dollars. The state treasurer shall give  
18 the state transportation board and the director of the department of  
19 transportation at least fifteen days' notice of the call.

20           Sec. 2. Section 35-316, Arizona Revised Statutes, is amended to read:

21           35-316. Investment pools; deduction

22           A. The state treasurer may establish and maintain investment pools for  
23 the collective investment of trust monies in this state.

24           B. The state treasurer may deposit operating monies in the investment  
25 pools and receive into such pools any monies a state agency, county, city,  
26 town, or any other political subdivision or public entity in this state may  
27 supply. When a depositor provides monies, the state treasurer may ask the  
28 depositor to specify the date or dates on which the monies will be withdrawn.  
29 All investment pools shall be invested by the state treasurer for such  
30 periods as will facilitate the highest return on the monies deposited and  
31 provide the required liquidity to the depositors.

32           C. The state treasurer shall compute on a monthly basis the rate of  
33 earnings on the investment pools for that month, and, except as provided in  
34 subsection D **OF THIS SECTION**, each depositor shall be credited with an amount  
35 determined by applying the calculated monthly rate to the principal amount of  
36 its deposit balance for the period of the deposit. Interest shall be  
37 credited monthly promptly after calculation.

38           D. The state treasurer ~~may~~ **SHALL** deduct monthly ~~an amount not to~~  
39 ~~exceed twelve hundredths of one per cent~~ **A PROPORTIONATE SHARE OF**  
40 **ADMINISTRATIVE EXPENSES** from the rate of earnings calculated pursuant to  
41 subsection C **OF THIS SECTION** on investment pools other than permanent  
42 endowment funds for immediate deposit in the ~~state general fund~~ **STATE**  
43 **TREASURER'S MANAGEMENT FUND ESTABLISHED BY SECTION 41-177.**



1           2. ALL MONIES RECEIVED FOR PROPORTIONATE SHARES OF ADMINISTRATIVE  
2 EXPENSES FROM STATE AGENCIES AND POLITICAL SUBDIVISIONS THAT PARTICIPATE IN  
3 ANY INVESTMENT POOL OPERATED BY THE STATE TREASURER.

4           ~~C.~~ B. Subject to legislative appropriation, ~~the state treasurer's~~  
5 ~~portion of the~~ ALL monies in the fund shall be used only for personnel and  
6 operating expenses of the state treasurer's office ~~relating to technology and~~  
7 ~~investments~~.

8           ~~D.~~ C. ~~State treasurer~~ Monies in the fund are exempt from the  
9 provisions of section 35-190 relating to lapsing of appropriations.

10           Sec. 5. Retroactivity

11           This act is effective retroactively to from and after June 30, 2008.