Senate Engrossed

FILED
KEN BENNETT
SECRETARY OF STATE

State of Arizona
Senate
Forty-ninth Legislature
Second Regular Session
2010

CHAPTER 83

SENATE BILL 1413

AN ACT

AMENDING SECTION 35-313, ARIZONA REVISED STATUTES; RELATING TO THE STATE TREASURER.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

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

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

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

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

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

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

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

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

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

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

8. Securities of or any other interests in any open-end or closed-end management type investment company or investment trust, INCLUDING EXCHANGE TRADED FUNDS WHOSE UNDERLYING INVESTMENTS ARE INVESTED IN SECURITIES ALLOWED BY STATE LAW, registered under the investment company act of 1940 (54 Stat. 789; 15 United States Code sections 80a-1 through 80a-64), as amended. ~~, if~~ FOR ANY TREASURER INVESTMENT POOL THAT SEEKS TO MAINTAIN A CONSTANT SHARE PRICE, both of the following apply:

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

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

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

10. Treasurer's warrant notes issued pursuant to section 35-185.01 or registered warrants of a county issued pursuant to section 11-605, if the

yield is equal to or greater than yields on eligible investment instruments of comparable maturities.

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

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

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

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

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

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

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

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

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

APPROVED BY THE GOVERNOR APRIL 16, 2010.

FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 19, 2010.