

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)

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, INCLUDING EXCHANGE
31 TRADED FUNDS WHOSE UNDERLYING INVESTMENTS ARE INVESTED IN SECURITIES ALLOWED
32 BY STATE LAW, registered under the investment company act of 1940 (54 Stat.
33 789; 15 United States Code sections 80a-1 through 80a-64), as amended. ~~if~~
34 FOR ANY TREASURER INVESTMENT POOL THAT SEEKS TO MAINTAIN A CONSTANT SHARE
35 PRICE, both of the following apply:

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

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

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

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

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

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

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

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

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

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

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

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

APPROVED BY THE GOVERNOR APRIL 16, 2010.

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

Passed the House April 7, 2010,

by the following vote: 55 Ayes,

0 Nays, 5 Not Voting

[Signature]
Speaker of the House

Cheryl Laube
Chief Clerk of the House

Passed the Senate March 1, 2010,

by the following vote: 27 Ayes,

1 Nays, 1 Not Voting

[Signature]
President of the Senate

[Signature]
Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill was received by the Governor this
12th day of April, 2010.

at 1:25 o'clock P. M.

[Signature]
Secretary to the Governor

Approved this 16th day of

April, 2010;

at 4:50 o'clock P. M.

[Signature]
Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State
this 19th day of April, 2010,

at 11:40 o'clock a M.

[Signature]
Secretary of State

S.B. 1413