

House Engrossed

**FILED**

**MICHELE REAGAN**  
**SECRETARY OF STATE**

State of Arizona  
House of Representatives  
Fifty-third Legislature  
First Regular Session  
2017

**CHAPTER 26**

**HOUSE BILL 2073**

AN ACT

AMENDING SECTIONS 6-851, 9-921, 9-957, 35-323.01, 35-466.05, 35-467.05, 45-2283, 48-1778, 48-1798 AND 48-1915, ARIZONA REVISED STATUTES; RELATING TO THE INVESTMENT OF GOVERNMENT MONIES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 6-851, Arizona Revised Statutes, is amended to  
3 read:

4 6-851. Definitions

5 A. In this chapter, unless the context otherwise requires:

6 1. "Trust business" means the holding out by a person to the public  
7 at large by advertising, solicitation or other means that such THE person  
8 is available to act as a fiduciary in this state and accepting and  
9 undertaking to perform the duties as such A fiduciary in the regular  
10 course of his business.

11 2. "Trust company" means a corporation holding a certificate issued  
12 under this article.

13 B. In this article, unless the context otherwise requires:

14 1. "Agent" means a person who receives compensation to regularly  
15 perform services specifically related to the conduct of the trust  
16 business.

17 2. "Asset" means any property or property right held by a licensee  
18 for the benefit of another.

19 3. "Capital" means the total of outstanding common stock, preferred  
20 stock and surplus and undivided profits.

21 4. "Certificate" means a certificate of authority issued under the  
22 provisions of this chapter to engage in trust business.

23 5. "Contingency plan" means a document stating a trust company's  
24 means of conducting business and preserving records in the event of any  
25 power outage, flood or other physical emergency.

26 6. "Discretionary assets" means those assets in which the trust  
27 company has the unilateral authority to determine investment strategies  
28 and execute investment transactions without seeking the concurrence,  
29 approval or authority from the customer or any other external party.

30 7. "Fiduciary" means a personal representative, administrator,  
31 guardian, conservator, trustee, agent or other person who acts in a  
32 fiduciary capacity and who is not exempt by section 6-852.

33 8. "Impaired" or "insolvent" means the trust company does not  
34 possess assets that are at least equal to liabilities, required reserves  
35 and total issued and outstanding capital.

36 9. "Liquid capital" means capital in the form of certificates of  
37 deposit issued by banks, savings banks or savings and loan associations  
38 doing business in this state and insured by the federal deposit insurance  
39 corporation or any successor institution, INCLUDING DEPOSITS TO A SINGLE  
40 DEPOSITORY WHERE EXCESS DEPOSIT INSURANCE IS PROVIDED THROUGH A RECIPROCAL  
41 DEPOSIT ARRANGEMENT BY PARTICIPATING BANKS, or direct obligations of the  
42 United States government with maturity of not more than five years.

43 10. "Nondiscretionary assets" means those assets for which the  
44 trust company must obtain from the customer, broker or investment advisor

1 specific direction and instructions regarding both investment strategies  
2 and investment executions.

3 11. "Surplus" means the total amount paid by shareholders in excess  
4 of the par or stated value of the shares of capital stock of a trust  
5 business in consideration for the shares.

6 Sec. 2. Section 9-921, Arizona Revised Statutes, is amended to  
7 read:

8 9-921. Powers and duties of the board; audit

9 A. The police pension board shall have exclusive control and  
10 management of the police pension fund, subject to ~~the provisions of this~~  
11 ~~article. It shall make rules, not inconsistent with the provisions of~~  
12 ~~this article, for its government, the conduct of its proceedings and the~~  
13 ~~management of the fund, and shall do all things necessary to carry out the~~  
14 ~~provisions of this article. It may compel witnesses to attend hearings,~~  
15 ~~or produce records and papers, and testify with respect to applications~~  
16 ~~for pensions, or upon ON any matter connected with the fund, and any~~  
17 ~~member of the board may administer oaths to such witnesses.~~

18 B. The board may invest or reinvest, in the name of the board, that  
19 portion of the fund which in its judgment is available for investment in  
20 such interest-bearing securities as follows:

- 21 1. Bonds of the United States.
- 22 2. Federal housing insured mortgage bonds of the United States.
- 23 3. Bonds, debentures or other obligations issued by the federal  
24 land banks, the federal intermediate credit banks or the banks for  
25 cooperatives.
- 26 4. Any bonds upon ON which the payment of interest and principal  
27 ~~are~~ IS guaranteed by the United States.
- 28 5. Bonds issued by any United States government instrumentality or  
29 federal agency that qualify and are acceptable as security for public  
30 funds of the United States government.
- 31 6. General obligation bonds of the state or of the counties,  
32 incorporated cities and towns and school districts.
- 33 7. Revenue bonds of the incorporated cities and towns of this  
34 state, THE Arizona board of regents, THE Arizona power authority or any  
35 other legally constituted state authority or agency authorized by law to  
36 issue revenue bonds, except revenue bonds for recreational purposes issued  
37 by cities and towns.
- 38 8. Bonds of agricultural improvement districts and agricultural  
39 improvement and power districts organized under the laws of this state  
40 when issued or guaranteed, with the approval of the secretary of the  
41 interior, by corporations operating a United States reclamation project  
42 within the state.
- 43 9. Bonds of incorporated cities or towns of this state issued under  
44 ~~the provisions of sections 9-692 through 9-707~~ 48-595, 48-596, 48-597,

1 48-598, 48-599, 48-600, 48-601, 48-602, 48-603, 48-604, 48-605, 48-606,  
2 48-607, 48-608, 48-609, 48-609.01 AND 48-610.

3 10. First lien bonds of sanitary districts issued pursuant to title  
4 48, chapter 14.

5 11. Registered warrants of the state, or registered county or  
6 school district warrants when offered as security for monies of the county  
7 or school district by which they are issued.

8 12. ~~Interest-bearing~~ INTEREST-BEARING savings accounts or  
9 certificates of deposit in banks doing business in this state whose  
10 accounts are insured by the federal deposit insurance corporation, but  
11 only if such deposits in excess of the insured amount are secured by the  
12 depository to the same extent and in the same manner as required by the  
13 general depository law of the state.

14 13. ~~Interest-bearing~~ INTEREST-BEARING savings accounts or  
15 certificates of deposit in savings and loan associations doing business in  
16 this state whose accounts are insured by the federal savings and loan  
17 insurance corporation, but only if such deposits in excess of the insured  
18 amount are secured by the depository to the same extent and in the same  
19 manner as required by the general depository law of the state.

20 14. DEPOSITS PLACED IN ACCORDANCE WITH THE PROCEDURES PRESCRIBED IN  
21 SECTION 35-323.01.

22 C. The board shall cause an annual audit and report of the fund to  
23 be made by a certified public accountant, and shall also cause actuarial  
24 studies of the fund to be made periodically, but not less than once in  
25 each three years, by a qualified actuary who is a member of the society of  
26 actuaries. The actuary shall make specific recommendations as to the  
27 contributions to be made to the fund in accordance with ~~the provisions of~~  
28 section 9-923, subsection A, paragraph 10 in order to maintain the fund on  
29 an ~~actuarially~~ ACTUARIALLY sound basis.

30 Sec. 3. Section 9-957, Arizona Revised Statutes, is amended to  
31 read:

32 9-957. Powers and duties of board; investments; review of  
33 decisions

34 A. The board may compel witnesses to attend and testify ~~upon~~ ON any  
35 matter pertaining to this article, and its president or any member may  
36 administer oaths. The board may provide for payment of its necessary  
37 expenses, except that no compensation is payable to members of the board  
38 for duties performed under this article.

39 B. Funds ~~which~~ THAT are not immediately required for the payment of  
40 pensions or benefits under this article may be invested or reinvested, at  
41 the discretion of the board of trustees, by the county treasurer or by the  
42 board of trustees, as follows:

- 43 1. In bonds of the United States.
- 44 2. In federal housing insured mortgage bonds of the United States.
- 45 3. In federal land bank bonds.

1           4. Any bonds ~~upon~~ ON which the payment of interest and principal  
2 ~~are~~ IS guaranteed by the United States.

3           5. Bonds issued by any United States government instrumentality or  
4 federal agency that qualify and are acceptable as security for public  
5 funds of the United States government.

6           6. General obligation bonds of this state or of the counties,  
7 incorporated cities and towns and school districts of this state.

8           7. Revenue bonds of the incorporated cities and towns of this  
9 state, THE Arizona board of regents, THE Arizona power authority, or any  
10 other legally constituted state authority or agency authorized by law to  
11 issue revenue bonds, except revenue bonds for recreational purposes issued  
12 by cities and towns.

13           8. Bonds of agricultural improvement districts and agricultural  
14 improvement and power districts organized under the laws of this state  
15 when issued or guaranteed, with the approval of the secretary of the  
16 interior, by corporations operating a United States reclamation project  
17 within the state.

18           9. Bonds of incorporated cities or towns of this state issued under  
19 ~~the provisions of sections 9-692 through 9-707~~ 48-595, 48-596, 48-597,  
20 48-598, 48-599, 48-600, 48-601, 48-602, 48-603, 48-604, 48-605, 48-606,  
21 48-607, 48-608, 48-609, 48-609.01 AND 48-610.

22           10. First lien bonds of sanitary districts issued pursuant to title  
23 48, chapter 14.

24           11. Registered warrants of the state, or registered county or  
25 school district warrants when offered as security for monies of the county  
26 or school district by which they are issued.

27           12. ~~Interest-bearing~~ INTEREST-BEARING savings accounts or  
28 certificates of deposit in banks doing business in this state whose  
29 accounts are insured by the federal deposit insurance corporation, but  
30 only if such deposits in excess of the insured amount are secured by the  
31 depository to the same extent and in the same manner as required by the  
32 general depository law of the state.

33           13. ~~Interest-bearing~~ INTEREST-BEARING savings accounts or  
34 certificates of deposit in savings and loan associations doing business in  
35 this state, whose accounts are insured by the federal savings and loan  
36 insurance corporation, but only if such deposits in excess of the insured  
37 amount are secured by the depository to the same extent and in the same  
38 manner as required by the general depository law of this state.

39           14. DEPOSITS PLACED IN ACCORDANCE WITH THE PROCEDURES PRESCRIBED IN  
40 SECTION 35-323.01.

41           C. All matters pertaining to the benefits granted by this article  
42 to ~~fire fighters~~ FIREFIGHTERS and their dependents shall be presented to  
43 the board, and any person aggrieved by a decision of the board, ~~may~~ at any  
44 time within thirty days after its decision, MAY petition for a writ of

1 certiorari, and the court may on final hearing reverse or affirm, wholly  
2 or partly, or may modify, the decision reviewed.

3 Sec. 4. Section 35-323.01, Arizona Revised Statutes, is amended to  
4 read:

5 35-323.01. Investment of government monies in deposits;  
6 conditions; definition

7 A. If an investing entity invests in deposits pursuant to THIS  
8 section ~~9-492, subsection C, section 15-1025, subsection B, paragraph 7,~~  
9 ~~section 35-313, subsection A, paragraph 14, section 35-323, subsection A,~~  
10 ~~paragraph 2 or section 48-2979, subsection D,~~ the investing entity in each  
11 case shall invest those monies in accordance with all of the following  
12 conditions:

13 1. The monies are initially invested through an eligible depository  
14 in this state selected by the investing entity.

15 2. The selected eligible depository arranges for the deposit of the  
16 monies in one or more federally insured banks or savings and loan  
17 associations wherever located, for the account of the investing entity.

18 3. The full amount of principal and any accrued interest of each  
19 such deposit is insured by the federal deposit insurance corporation.

20 4. The selected eligible depository acts as custodian for the  
21 investing entity with respect to such deposits.

22 5. On the same date that the investing entity's monies are  
23 deposited pursuant to paragraph 2 of this subsection, the selected  
24 eligible depository receives an amount of federally insured deposits from  
25 customers of other financial institutions equal to or greater than the  
26 amount of the monies initially invested by the investing entity through  
27 the selected eligible depository.

28 B. Monies invested in accordance with all of the conditions  
29 prescribed in this section are not subject to any security or collateral  
30 requirements.

31 C. For the purposes of this section, "investing entity" means this  
32 state, a political subdivision, the governing body of a municipality or  
33 the governing body of a school district.

34 Sec. 5. Section 35-466.05, Arizona Revised Statutes, is amended to  
35 read:

36 35-466.05. Investment of note proceeds; period of investment  
37 covenants

38 A. Note proceeds may be invested in any of the following  
39 securities:

40 1. Bonds or other evidences of indebtedness of the United States of  
41 America or any of its agencies or instrumentalities when such obligations  
42 are guaranteed as to principal and interest by the United States of  
43 America or by any agency or instrumentality of the United States.





1           4. Bonds, notes or evidences of indebtedness issued by any  
2 municipal improvement district in this state to finance local improvements  
3 authorized by law if the principal and interest of the obligations are  
4 payable from assessments on real property within the local improvement  
5 district. The board of directors shall not make the investment if the  
6 face value of all the obligations, and similar obligations outstanding,  
7 exceeds fifty ~~per-cent~~ PERCENT of the market value of the real property  
8 and improvements ~~upon~~ ON which the bonds or the assessments for the  
9 payment of principal and interest on the bonds are liens inferior only to  
10 the liens for general ad valorem property taxes. The board of directors  
11 may make the investment only if no default in payment of principal or  
12 interest on the obligations to be purchased has occurred within five years  
13 of the date of investment or, if the obligations were issued less than  
14 five years prior to the date of investment, no default in payment of  
15 principal or interest has occurred on the obligations to be purchased nor  
16 on any other obligation of the issuer within five years of the investment.

17           5. ~~Interest-bearing~~ INTEREST-BEARING savings accounts or  
18 certificates of deposit insured in banks or savings and loan associations  
19 doing business in this state by the federal deposit insurance corporation  
20 or the federal savings and loan insurance corporation but only if they are  
21 secured by the depository to the same extent and in the same manner as  
22 required by the general depository law of this state. Security is not  
23 required for that portion of any deposit that is insured under any law of  
24 the United States.

25           6. Bonds, debentures or other obligations issued by the federal  
26 land banks, the federal intermediate credit banks, the banks for  
27 cooperatives or ~~by~~ the national rural utility cooperative finance  
28 corporations.

29           7. DEPOSITS PLACED IN ACCORDANCE WITH THE PROCEDURES PRESCRIBED IN  
30 SECTION 35-323.01.

31           Sec. 9. Section 48-1798, Arizona Revised Statutes, is amended to  
32 read:

33           48-1798. Bond retirement fund; investment of fund

34           A. Beginning with the third year after issuance of any bonds, the  
35 board of directors shall include in the certificate provided for in  
36 section 48-1773 an amount sufficient to create a sinking fund ~~which~~ THAT  
37 will pay the outstanding bonds when they become due. All probable income  
38 or increase of income from the sources referred to in section 48-1774  
39 shall be taken into account in certifying the annual requirements of the  
40 sinking fund.

41           B. When the sinking fund amounts to five hundred dollars or any  
42 multiple thereof, the ~~MONIES IN THE~~ fund may be loaned on farmlands at not  
43 more than thirty-five ~~per-cent~~ PERCENT of their cash value, but such loans  
44 shall mature not later than the bonds ~~which~~ THAT the ~~funds~~ ~~MONIES~~ loaned  
45 were raised to pay.

1 C. In addition to the provisions of subsection B of this section,  
2 the board of directors may invest funds MONIES IN THE FUND in:

3 1. ~~Interest bearing~~ INTEREST-BEARING savings accounts or  
4 certificates of deposit in banks doing business in this state whose  
5 accounts are insured by the federal deposit insurance corporation, but  
6 only if such deposits in excess of the insured amount are secured by the  
7 depository to the same extent and in the same manner as required by the  
8 general depository law of the state.

9 2. ~~Interest bearing~~ INTEREST-BEARING savings accounts or  
10 certificates of deposit in savings and loan associations doing business in  
11 this state whose accounts are insured by the federal savings and loan  
12 insurance corporation, but only if such deposits in excess of the insured  
13 amount are secured by the depository to the same extent and in the same  
14 manner as required by the general depository law of the state.

15 3. DEPOSITS PLACED IN ACCORDANCE WITH THE PROCEDURES PRESCRIBED IN  
16 SECTION 35-323.01.

17 Sec. 10. Section 48-1915, Arizona Revised Statutes, is amended to  
18 read:

19 48-1915. Deposit and payment of district monies; investment  
20 and reinvestment of sinking fund

21 A. Monies received for a hospital district from any source shall be  
22 deposited with the county treasurer of the organizing county to the credit  
23 of the hospital district, and paid out only upon ON warrants approved by  
24 the board of directors of the district.

25 B. The board of directors of the district, with the consent of the  
26 board of supervisors, may invest and reinvest all ~~money~~ MONIES belonging  
27 or credited to the district as a sinking fund. The investment shall be  
28 made for the best interests of the district.

29 C. The ~~funds~~ MONIES IN THE FUND may be invested and reinvested  
30 under the authority of the federal farm credit act of 1933, or invested  
31 and reinvested in any of the following:

32 1. Bonds or other evidences of indebtedness of the United States of  
33 America or any of its agencies or instrumentalities when such obligations  
34 are guaranteed as to principal and interest by the United States of  
35 America or by any agency or instrumentality thereof.

36 2. Bonds or other evidences of indebtedness of this state or of any  
37 of the counties, ~~or~~ incorporated cities, ~~OR~~ towns, ~~or~~ duly organized  
38 school districts of this state.

39 3. Bonds, notes or evidences of indebtedness of any county,  
40 municipality, ~~or~~ municipal district utility within this state ~~which~~ THAT  
41 are payable from revenues or earnings specifically pledged for the payment  
42 of the principal and interest on such obligations, and for the payment of  
43 which a lawful sinking fund or reserve fund has been established and is  
44 being maintained, but only if no default in payment of principal or  
45 interest on the obligations to be purchased has occurred within five years

1 of the date of investment therein, or, if such obligations were issued  
2 less than five years prior to the date of investment, no default in  
3 payment of principal or interest has occurred on the obligations to be  
4 purchased, nor on any other obligations of the issuer within five years of  
5 such AN investment.

6 4. Bonds, notes or evidences of indebtedness issued by any  
7 municipal improvement district in this state to finance local improvements  
8 authorized by law, if the principal and interest of such obligations are  
9 payable from assessments on real property within such A local improvement  
10 district. No such investment shall be made if the face value of all such  
11 obligations, and similar obligations outstanding, exceed fifty per cent  
12 PERCENT of the market value of the real property and improvements upon ON  
13 which such bonds or the assessments for the payment of principal and  
14 interest thereon are liens inferior only to the liens for general ad  
15 valorem property taxes. Such AN investment shall be made only if no  
16 default in payment of principal or interest on the obligations to be  
17 purchased has occurred within five years of the date of investment  
18 therein, or, if such obligations were issued less than five years prior to  
19 the date of investment, no default in payment of principal or interest has  
20 occurred on the obligations to be purchased, nor on any other obligation  
21 of the issuer within five years of such AN investment.

22 5. ~~Interest bearing~~ INTEREST-BEARING saving accounts or  
23 certificates of deposit insured in banks or savings and loan associations  
24 doing business in Arizona by the federal deposit insurance corporation, or  
25 the federal savings and loan insurance corporation, but only if they are  
26 secured by the depository to the same extent and in the same manner as  
27 required by the general depository law of the state. Security shall not  
28 be required for that portion of any deposit that is insured under any law  
29 of the United States.

30 6. DEPOSITS PLACED IN ACCORDANCE WITH THE PROCEDURES PRESCRIBED IN  
31 SECTION 35-323.01.

32 D. The purchase of the securities shall be made by the county  
33 treasurer upon ON authority of a resolution of the board of directors,  
34 approved by the board of supervisors. The county treasurer shall be the  
35 custodian of all securities so purchased. The bonds may be sold upon ON  
36 an order of the board of directors with the consent of the board of  
37 supervisors.

38 E. All ~~money~~ MONIES earned as interest or otherwise derived by  
39 virtue of the ~~provisions~~ of this section shall be credited to the sinking  
40 fund.

**APPROVED BY THE GOVERNOR MARCH 21, 2017.**

**FILED IN THE OFFICE OF THE SECRETARY OF STATE MARCH 21, 2017.**

Passed the House February 16, 2017

Passed the Senate March 14, 2017

by the following vote: 58 Ayes,

by the following vote: 30 Ayes,

0 Nays, 2 Not Voting

0 Nays, 0 Not Voting

[Signature]  
Speaker of the House  
 Pro Tempore

[Signature]  
President of the Senate

[Signature]  
Chief Clerk of the House

[Signature]  
Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF GOVERNOR

This Bill received by the Governor this

15<sup>th</sup> day of March, 2017

at 4:02 o'clock P. M.

[Signature]  
Secretary to the Governor

Approved this 21<sup>st</sup> day of

March, 2017

at 4:06 o'clock P. M.

[Signature]  
Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF SECRETARY OF STATE

This Bill received by the Secretary of State

this 21 day of March, 2017

at 4:51 o'clock P. M.

[Signature]  
Secretary of State

H.B. 2073