



STATE OF ARIZONA
OFFICE OF THE GOVERNOR

DOUGLAS A. DUCEY
GOVERNOR

EXECUTIVE OFFICE

April 10, 2019

The Honorable Katie Hobbs
Secretary of State
1700 W. Washington, 7th Floor
Phoenix, AZ 85007

Dear Secretary Hobbs:

I am transmitting to you the following bills from the Fifty-fourth Legislature, 1st Regular Session, which I signed on April 10th, 2019:

H.B. 2569 occupational licensing; reciprocity (Petersen)
S.B. 1030 remote online notarization; registration (Leach)
S.B. 1069 postsecondary institutions; free expression policies (Boyer)
S.B. 1180 department of revenue; applicants; fingerprinting (Boyer)
S.B. 1258 class M driver licenses; applicability (Pratt)
S.B. 1271 purchaser dwelling actions; notice; complaints (Fann)
S.B. 1299 state warrants; substitute checks (Brophy McGee)
S.B. 1312 bad checks; restitution payments (Farnsworth E)
S.B. 1314 death penalty; aggravating circumstances (Farnsworth E)
S.B. 1338 veteran special plates; branch seal (Carter)
S.B. 1347 luxury tax; cavendish; definition (Gowan)
S.B. 1351 peace officers memorial board; continuation (Borrelli)
S.B. 1448 alarm systems; low-voltage electric fences (Farnsworth E)
S.B. 1529 agriculture advisory council; membership (Pratt)
S.B. 1530 task force; towing safety; extension (Pratt)

Sincerely,

Douglas A. Ducey
Governor
State of Arizona

cc: Senate Secretary
Chief Clerk of the House of Representatives
Arizona News Service

Senate Engrossed
FILED
KATIE HOBBS
SECRETARY OF STATE

State of Arizona
Senate
Fifty-fourth Legislature
First Regular Session
2019

CHAPTER 61
SENATE BILL 1299

AN ACT

AMENDING TITLE 35, CHAPTER 1, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 35-101.01; AMENDING SECTIONS 35-131, 35-142, 35-149, 35-171, 35-183, 35-184, 35-185, 35-185.01, 35-185.02, 35-186, 35-187, 35-190, 35-191, 35-193, 35-212, 35-301, 35-312, 35-313, 35-315, 35-323, 35-327, 35-381, 35-406, 35-426, 35-430 AND 35-491, ARIZONA REVISED STATUTES; RELATING TO PUBLIC FINANCES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Title 35, chapter 1, article 1, Arizona Revised
3 Statutes, is amended by adding section 35-101.01, to read:

4 35-101.01. Definition of substitute check

5 IN THIS TITLE, UNLESS THE CONTEXT OTHERWISE REQUIRES, "SUBSTITUTE
6 CHECK" MEANS A PAPER REPRODUCTION OF AN ORIGINAL WARRANT OR CHECK THAT IS
7 CREATED FROM AN ELECTRONIC IMAGE OF THE ORIGINAL WARRANT OR CHECK AND THAT
8 MEETS ALL OF THE FOLLOWING:

9 1. CONTAINS AN IMAGE OF THE FRONT AND BACK OF THE ORIGINAL WARRANT
10 OR CHECK.

11 2. BEARS A MAGNETIC INK CHARACTER RECOGNITION LINE CONTAINING ALL
12 OF THE INFORMATION IN THE MAGNETIC INK CHARACTER RECOGNITION LINE OF THE
13 ORIGINAL WARRANT OR CHECK.

14 3. CONFORMS IN PAPER STOCK AND DIMENSION AND OTHERWISE WITH
15 GENERALLY APPLICABLE INDUSTRY STANDARDS FOR SUBSTITUTE CHECKS.

16 4. IS SUITABLE FOR AUTOMATED PROCESSING IN THE SAME MANNER AS THE
17 ORIGINAL WARRANT OR CHECK.

18 Sec. 2. Section 35-131, Arizona Revised Statutes, is amended to
19 read:

20 35-131. Accounting system; reports; notice of deficiency;
21 forms

22 A. In accordance with generally accepted governmental accounting
23 principles, the department of administration shall develop and prescribe
24 for the use of all budget units a uniform accounting system so designed as
25 to ensure compliance with all legal and constitutional requirements,
26 including those respecting ~~the receipt and expenditure of~~ RECEIVING,
27 SPENDING and ~~the accountability~~ ACCOUNTING for public monies.

28 B. The department of administration shall maintain complete,
29 accurate and current financial records relating to state monies and to
30 other public monies in the state treasury available to, encumbered by or
31 expended by each budget unit, including trust monies or other monies not
32 subject to appropriation, setting out all revenues, charges against all
33 funds, fund and appropriation balances, interfund transfers, outstanding
34 warrants, CHECKS, ELECTRONIC FUNDS TRANSFER VOUCHERS and encumbrances, in
35 a manner consistent with the uniform state accounting system, ~~for the~~
36 ~~preparation of~~ TO PREPARE statewide financial statements in accordance
37 with generally accepted governmental accounting principles.

38 C. Each month the department of administration shall prepare and
39 submit to the governor a report summarizing by budget unit and
40 appropriation or other fund source the ~~above~~ information PRESCRIBED IN
41 SUBSECTION B OF THIS SECTION in ~~such~~ A form ~~as~~ THAT will most clearly and
42 accurately set out the current fiscal condition of the state and shall
43 furnish to each budget unit a report of its transactions by appropriation
44 or other fund source in a form that will clearly and accurately show the
45 fiscal activity and condition of ~~such~~ THE appropriation or fund source.

1 D. The responsible official for each budget unit shall monitor
2 reports prepared pursuant to subsection C of this section to identify any
3 projected total deficiency for the budget unit fiscal year. On a
4 determination of a projected deficiency, the official shall take any
5 action necessary to ~~assure~~ ENSURE continuing compliance with section 1-254
6 by notifying the governor, the speaker of the house of representatives,
7 the president of the senate and the chairman of the joint legislative
8 budget committee of the deficiency and the reasons for the deficiency.
9 The initial notification of the deficiency shall be followed within ten
10 business days by a report from the responsible budget unit official that
11 includes the following:

- 12 1. A complete explanation of the causes of the deficiency.
- 13 2. A plan that ~~assures~~ ENSURES that the deficiency will be resolved
14 within the fiscal year without supplemental appropriation and that
15 includes the policy and programmatic implications of the deficiency and
16 the plan.
- 17 3. A commitment to provide a progress report if the projected
18 degree of deficiency changes substantially. The report shall include
19 additional measures necessary to ~~assure~~ ENSURE resolution of the
20 deficiency within the fiscal year.

21 E. On or before December 1 of each year, the director of the
22 department of administration shall submit to the governor a complete
23 report of the financial transactions of the preceding fiscal year and of
24 the financial condition of the state at the end of that year with such
25 comments and supplementary data as the director of the department of
26 administration deems necessary to make the report complete and readily
27 understandable. The report shall include all appropriated and
28 nonappropriated monies in no less detail than the state general fund.

29 F. On or before February 1 of each year, the director of the
30 department of administration and the state treasurer shall submit to the
31 joint legislative budget committee a report explaining any differences
32 between the department of administration's estimate of the previous fiscal
33 year's state general fund ending balance submitted pursuant to subsection
34 E of this section and the state treasurer's estimate of the invested
35 balance, including the STATE general fund share of that balance, as of
36 June 30 of the previous fiscal year submitted pursuant to section 41-172.

37 G. In preparing the comprehensive annual financial report published
38 in accordance with ~~the~~ generally accepted accounting principles, the
39 department of administration shall include supplementary schedules that
40 reconcile any differences between the state general fund as reported in
41 the comprehensive annual financial report and the state general fund as
42 reported in the annual financial report required by subsection E of this
43 section. This reconciliation shall address revenues, expenditures and
44 fund balances.

1 H. The director of the department of administration shall prescribe
2 uniform classifications for assets, liabilities, receipts and expenditures
3 and forms for the periodic reporting of financial accounts, transactions
4 and other matters by budget units compatible with the reports required of
5 the director of the department of administration under this section. Such
6 records and accounts shall be maintained and reconciled by budget units.
7 If required for reporting, the department of administration may establish
8 or delete funds and budget units may maintain additional records for
9 reporting to the federal government or other funding source.

10 I. Each organization that is included in the state's reporting
11 entity as defined by generally accepted accounting principles shall submit
12 all necessary financial statements or information to the department of
13 administration on a basis of accounting that is consistent with generally
14 accepted accounting principles and that is in accordance with the policies
15 and procedures of the department of administration.

16 Sec. 3. Section 35-142, Arizona Revised Statutes, is amended to
17 read:

18 35-142. Monies kept in funds separate from state general
19 fund; receipt and withdrawal

20 A. All monies received for and belonging to the state shall be
21 deposited in the state treasury and credited to the state general fund
22 except the following, which shall be placed and retained in separate
23 funds:

24 1. The unexpendable principal of monies received from federal land
25 grants shall be placed in separate funds and the account of each ~~such~~
26 separate fund shall bear a title indicating the source and the institution
27 or purpose to which the fund belongs.

28 2. The interest, rentals and other expendable ~~money~~ MONIES received
29 as income from federal land grants shall be placed in separate accounts,
30 each account bearing a title indicating the source and the institution or
31 purpose to which the fund belongs. Such expendable monies shall be
32 expended only as authorized, regulated and controlled by the general
33 appropriations act or other act of the legislature.

34 3. All private or quasi-private monies authorized by law to be paid
35 to or held by the state treasurer shall be placed in separate accounts,
36 each account bearing a title indicating the source and purpose of the
37 fund.

38 4. All monies legally pledged to ~~retirement~~ of RETIRE building
39 indebtedness or bonds issued by those institutions authorized to incur
40 such indebtedness or to issue such bonds shall be placed in separate
41 accounts.

42 5. Monies of a multi-county water conservation district authorized
43 by law to be paid to or held by the state treasurer shall be placed in
44 separate accounts, each account bearing a title indicating the source and
45 purpose of the fund.

1 6. All monies collected by the Arizona game and fish department
2 shall be deposited in a special fund known as the state game and fish
3 protection fund for the use of the Arizona game and fish commission in
4 carrying out ~~the provisions of~~ title 17.

5 7. All federal monies that are received by the department of
6 economic security for family assistance benefits and medical eligibility
7 as a result of efficiencies developed by the department of economic
8 security and that would otherwise revert to the state general fund
9 pursuant to section 35-190 shall be retained for use by the department of
10 economic security in accordance with the terms and conditions imposed by
11 the federal funding source in an account or accounts established or
12 authorized by the state treasurer.

13 8. Monies designated by law as special state funds shall not be
14 considered a part of the STATE general fund. Unless otherwise prescribed
15 by law, the state treasurer shall be the custodian of all such funds.

16 9. All monies received and any accounts established and maintained
17 by the director of the Arizona state retirement system or the
18 administrator of the public safety personnel retirement system, the
19 corrections officer retirement plan and the elected officials' retirement
20 plan.

21 10. Monies received by a state agency or institution as a gift,
22 devise or donation shall not be considered a part of the state general
23 fund or transferred to the state general fund unless the gift, devise or
24 donation specifically authorizes a general state use for the monies. A
25 state agency or institution that receives a monetary gift, devise or
26 donation shall account for those monies separately.

27 11. All monies received by the Arizona game and fish commission in
28 connection with clean water act in-lieu fee projects shall be deposited in
29 a special trust fund, known as the game and fish in-lieu fee program
30 restoration endowment trust fund, established by section 17-265 for the
31 use of the Arizona game and fish commission solely for the following:

32 (a) The purposes authorized under any enabling instrument between
33 the commission and the department of environmental quality or between the
34 commission, the United States army corps of engineers and the United
35 States environmental protection agency.

36 (b) Site selection, design, implementation, monitoring, management
37 and administrative costs related to the Arizona game and fish department's
38 responsibilities as an in-lieu fee sponsor pursuant to sections 401 and
39 404 of the clean water act.

40 B. ~~No money~~ MONIES shall NOT be received or held by the state
41 treasurer except as authorized by law, and in every instance the treasurer
42 shall issue a receipt for ~~money~~ MONIES received and shall record the
43 transaction in the statewide accounting system. ~~No money~~ MONIES shall NOT
44 be withdrawn from the treasury except on the warrant, CHECK OR SUBSTITUTE

1 CHECK, or electronic funds transfer voucher of the department of
2 administration.

3 C. Monies received for and belonging to this state and resulting
4 from compromises or settlements by or against this state, excluding
5 restitution and reimbursement to state agencies for costs or attorney
6 fees, shall be credited to the state general fund unless specifically
7 credited to another fund by law. A fund consisting of monies other than
8 monies received for restitution, costs or attorney fees shall not be
9 established ~~on the basis of~~ BY a court order without prior legislative
10 authorization. For the purposes of this subsection, "restitution" means
11 monies intended to compensate a specific, identifiable person, including
12 this state, for economic loss.

13 D. All federal monies granted and paid to this state by the federal
14 government shall be accounted for in the accounts or funds of this state
15 in the necessary detail to meet federal and state accounting, budgetary
16 and auditing requirements, and all appropriations for matching such
17 federal monies shall be transferred from the state general fund to such
18 separate funds as needed, except as otherwise required by the federal
19 government.

20 E. ~~Nothing in~~ This section ~~requires~~ DOES NOT REQUIRE the
21 establishment of separate accounts or funds for such federal monies unless
22 otherwise required by federal or state law. The department of
23 administration ~~has the authority to~~ MAY use the most efficient system of
24 accounts and records, consistent with legal requirements and standard and
25 necessary fiscal safeguards.

26 F. ~~Nothing in~~ This section ~~precludes the creation by~~ DOES NOT
27 PRECLUDE the department of administration ~~of~~ FROM ESTABLISHING a clearing
28 account or other acceptable accounting method to effect prompt payment of
29 claims from an approved budget or appropriation. The department of
30 administration shall report each account or fund established or cancelled
31 to the directors of the joint legislative budget committee and the
32 governor's office of strategic planning and budgeting.

33 G. ~~Nothing in~~ This section ~~or~~ AND any other section ~~precludes~~ DO
34 NOT PRECLUDE the use of monies kept in funds separate from the state
35 general fund, the interest from which accrues to the state general fund,
36 ~~for payment of~~ TO PAY claims against the state general fund, ~~provided~~ IF
37 sufficient monies remain available ~~for payment of~~ TO PAY claims against
38 such funds.

39 H. The department of administration may issue warrants, CHECKS OR
40 ELECTRONIC FUNDS TRANSFER VOUCHERS for qualified expenditures of federal
41 program monies before they are deposited in the state treasury. The
42 receipt of federal monies shall be timed to coincide, as closely as
43 administratively feasible, with the redemption of warrants, CHECKS OR
44 SUBSTITUTE CHECKS, OR ELECTRONIC FUNDS TRANSFER VOUCHERS by the state
45 treasurer. The department of administration shall limit expenditures to

1 the amount that has been made available ~~for the~~ TO use under the grant
2 award by the federal government. The state agency initiating the
3 expenditures is responsible for ensuring that expenditures qualify for
4 coverage under the guidelines of the federal grant award.

5 I. The department of administration shall establish ~~the~~ policies
6 and procedures for all state agencies for drawing federal monies. When
7 the established method results in federal monies being held by this state,
8 the department of administration may use the interest earned on the monies
9 to pay the federal government for any related interest liability. If an
10 interest liability is incurred due to a state agency varying from the
11 established policies and procedures, the department of administration
12 shall charge the appropriate agency account or fund. Any federal interest
13 liability owed to this state ~~as a result of~~ RESULTING FROM the delayed
14 federal disbursements shall be used to offset this state's interest
15 liability to the federal government. Any remaining interest earnings
16 shall be deposited in the state general fund.

17 J. Any state agency or authorized agent of a state agency may
18 accept credit cards pursuant to an agreement entered into by the state
19 treasurer pursuant to section 35-315 ~~for the payment of~~ TO PAY any amount
20 due to that agency or agent or this state.

21 K. Except for the department of revenue, agencies or authorized
22 agents on behalf of state agencies that accept credit cards shall deduct
23 any applicable discount fee and processing fee associated with the
24 transaction amount before depositing the net amount in the appropriate
25 state fund. No other reduction is permitted against the transaction
26 amount. The net amount deposited in the appropriate state fund shall be
27 considered as the full deposit required by law of monies received by the
28 agency or the authorized agent. Payment of any applicable discount fee
29 and processing fee shall be accounted for in the annual report submitted
30 to the governor's office of strategic planning and budgeting in accordance
31 with section 41-1273. The transaction amount of any credit card
32 transaction shall not be reduced by any discount fee or processing fee in
33 an amount ~~in excess~~ of MORE THAN the merchant card settlement fees
34 reflected in the state banking contract with the state treasurer's office.

35 L. Any state agency that contracts with an authorized agent ~~for the~~
36 ~~electronic processing of~~ TO ELECTRONICALLY PROCESS transactions pursuant
37 to title 41, chapter 23 may include a provision in the contract to allow
38 the authorized agent to impose a convenience fee or a service fee or
39 surcharge. If allowed, the convenience fee or the service fee or
40 surcharge shall be charged to the cardholder in addition to the
41 transaction amount, except for the following:

42 1. Except as provided in subsection R of this section, any permits,
43 licenses or other authorizations needed to pursue a trade or occupation in
44 this state.

1 2. Except as provided in subsection R of this section, any permits,
2 licenses or other authorizations needed to establish, expand or operate a
3 business in this state.

4 3. Except as provided in subsection R of this section, any permits,
5 licenses or other authorizations needed to register a vehicle or license a
6 driver in this state.

7 M. Each state agency or its authorized agent shall:

8 1. Deduct the amount of the convenience fee or the service fee or
9 surcharge before depositing the transaction amount or the transaction
10 amount reduced by the discount fee or the processing fee, or both, into
11 the appropriate state fund.

12 2. Not deduct any part of the convenience fee or the service fee or
13 surcharge from the transaction amount before depositing the net amount
14 into the appropriate state fund.

15 3. Deduct the amount of the discount fee or the processing fee, or
16 both, from the transaction amount before depositing the net amount into
17 the appropriate state fund.

18 N. The net amount deposited in the appropriate state fund pursuant
19 to subsection L or M of this section shall be considered as the full
20 deposit of monies that is required by law and that is received by the
21 agency.

22 O. Before charging a convenience fee or a service fee or surcharge,
23 a state agency shall submit the proposed convenience fee or the proposed
24 service fee or surcharge to the state treasurer for approval. If the
25 state treasurer determines that the proposed convenience fee or the
26 proposed service fee or surcharge is necessary to ensure the efficient
27 processing of payments to the state agency and ~~is in compliance~~ COMPLIES
28 with the standards of the credit card industry, the state treasurer shall
29 approve the convenience fee or the service fee or surcharge.
30 Notwithstanding section 35-142.01, convenience fees received by a state
31 agency or its authorized agent may be used to offset the costs imposed by
32 the authorized agent in processing the transactions.

33 P. When the percentage of electronic transactions first exceeds at
34 least thirty percent of a state agency's total transactions, the state
35 agency shall perform a cost benefit report, including costs of convenience
36 fees or the service fee or surcharge, the amount of revenue generated and
37 any realized cost savings.

38 Q. ~~Nothing in~~ This section ~~or~~ AND any other provision of law
39 ~~authorizes~~ DO NOT AUTHORIZE any state agency, authorized agent of any
40 state agency or budget unit to establish a bank account for any government
41 monies. All monies received by or on behalf of this state shall be
42 deposited with and in the custody of the state treasurer or in an account
43 that is authorized by the state treasurer pursuant to this section. This
44 subsection does not apply to monies received and any accounts established
45 and maintained by the director of the Arizona state retirement system or

1 the administrator of the public safety personnel retirement system, the
2 corrections officer retirement plan and the elected officials' retirement
3 plan.

4 R. If a state agency provides an alternative method of payment, the
5 convenience fee or the service fee or surcharge may be charged to the
6 cardholder in addition to the transaction amount.

7 Sec. 4. Section 35-149, Arizona Revised Statutes, is amended to
8 read:

9 35-149. Disposition of private monies; contributions and
10 suspense funds; exception

11 A. Every department, institution, board or commission receiving
12 private ~~funds~~ MONIES or contributions available for its support or for the
13 purpose of defraying expenses or work done under its direction, ~~or~~ other
14 receipts ~~which may be~~ THAT ARE subject to refund or return to the sender
15 or receipts ~~which~~ THAT have not yet accrued to the state shall, in
16 depositing such monies with the state treasurer as provided in this
17 chapter, certify to the department of administration:

18 1. The source from which such monies were received.

19 2. The terms and conditions under which and the purpose for which
20 ~~they~~ THE MONIES were received.

21 3. The names of the trustees or administrators of the ~~funds~~ MONIES
22 or contributions.

23 4. The name of the person authorized to approve expenditures from
24 each fund.

25 B. The department, institution, board or commission shall keep an
26 accounting of each such fund or contribution ~~mentioned~~ PRESCRIBED in
27 subsection A OF THIS SECTION entirely separate and distinct from all other
28 funds.

29 C. All disbursements from such funds and contributions shall be
30 made on warrants, CHECKS or electronic funds transfer vouchers of the
31 department of administration, ~~with~~ WHICH shall issue such warrants, CHECKS
32 or electronic funds transfer vouchers only ~~upon~~ ON adequate vouchers
33 approved by the person or persons authorized to approve the disbursements.
34 Separate sets of accounts with each of such funds and contributions, and
35 the receipts and disbursements thereof, shall be maintained by the
36 department of administration.

37 D. ~~The provisions of~~ This chapter ~~shall~~ DOES not apply to monies
38 received by universities for the subsistence of dining halls, dormitories,
39 bookstores or student activities, to federal monies or private monies of
40 students received by state educational institutions, or to private monies
41 of patients or inmates of state institutions, when such monies deposited
42 with an officer of such an institution are declared not to be state
43 monies.

1 to a vendor that provides materials, services or construction to this
2 state. The fee shall be deposited in the state general fund.

3 B. The director of the department of administration shall credit
4 the state treasurer with the amount of all warrants, CHECKS OR SUBSTITUTE
5 CHECKS, or electronic funds transfer vouchers ~~retired or paid by him~~ THAT
6 THE STATE TREASURER REDEEMS. If ~~no~~ monies are NOT available ~~for payment~~
7 ~~of~~ TO PAY such warrants, CHECKS OR SUBSTITUTE CHECKS, or electronic funds
8 transfer vouchers, the state treasurer shall issue in lieu of payment a
9 treasurer's warrant note or notes as provided in section 35-185.01.

10 C. ~~Money~~ MONIES shall not be withdrawn from the treasury for any
11 purpose ~~unless for the payment of~~ EXCEPT TO PAY warrants, CHECKS and
12 electronic funds transfer vouchers issued by the director of the
13 department of administration or ~~for the payment of~~ TO PAY treasurer's
14 warrant notes.

15 D. This chapter ~~shall~~ DOES not be construed to apply to withdrawals
16 of monies from state depository banks for immediate redeposit into other
17 state depository banks.

18 Sec. 9. Section 35-185.01, Arizona Revised Statutes, is amended to
19 read:

20 35-185.01. Treasurer's warrant notes; form; redemption;
21 exception

22 A. If ~~no~~ monies are NOT available ~~for payment of~~ TO PAY warrants,
23 CHECKS OR SUBSTITUTE CHECKS, or electronic funds transfer vouchers of the
24 department of administration presented to the state treasurer pursuant to
25 section 35-185, the treasurer, in lieu of payment, shall issue and shall
26 exchange or sell a treasurer's warrant note or notes in the amount or
27 amounts equal to the sum of the face value of the warrants, CHECKS OR
28 SUBSTITUTE CHECKS, or electronic funds transfer vouchers presented for
29 payment. Treasurer's warrant notes shall be issued in lieu of payment of
30 STATE general fund warrants, CHECKS OR SUBSTITUTE CHECKS, or electronic
31 funds transfer vouchers only or in exchange for previously issued
32 treasurer's warrant notes. Before issuing warrant notes, the state
33 treasurer is not required to divest from program funding obligations
34 issued pursuant to section 15-2157, board funding obligations issued
35 pursuant to section 28-7678, monies in the budget stabilization fund or
36 operating monies invested in securities that are earning a rate of
37 interest greater than the cost of issuing warrant notes. For the purposes
38 of this subsection, "~~no~~ monies are NOT available" means ~~no~~ AN operating
39 cash balance is NOT available to pay warrants, CHECKS OR SUBSTITUTE
40 CHECKS, OR ELECTRONIC FUNDS TRANSFER VOUCHERS except for those operating
41 monies invested in program funding obligations issued pursuant to section
42 15-2157, board funding obligations issued pursuant to section 28-7678,
43 monies in the budget stabilization fund or operating monies invested in
44 securities that are earning a rate of interest greater than the total cost
45 of issuing any warrant notes.

1 B. The face value of a treasurer's warrant note may be equal to the
2 sum of any combination of warrants, CHECKS OR SUBSTITUTE CHECKS, AND
3 ELECTRONIC FUNDS TRANSFER VOUCHERS presented for payment. The treasurer
4 may sell warrant notes at public or private sale and shall use the
5 proceeds of the sale ~~for payment of~~ TO PAY warrants, CHECKS OR SUBSTITUTE
6 CHECKS, AND ELECTRONIC FUNDS TRANSFER VOUCHERS previously presented
7 pursuant to section 35-185. Treasurer's warrant notes shall not be sold
8 at a price below their face value.

9 C. Each treasurer's warrant note sold or exchanged shall be dated
10 the date the respective warrants are presented for payment. If the date
11 of delivery of a treasurer's warrant note that is sold is later than the
12 date of presentment of the respective warrant or warrants, the purchaser
13 of the treasurer's warrant note shall pay the accrued interest as an
14 additional purchase price. The accrued interest shall be paid to the
15 holder of the respective unpaid warrant or warrants, which shall be deemed
16 to bear interest at the same rate as the respective treasurer's warrant
17 note from presentment to payment from the proceeds of warrant notes sold.

18 D. The treasurer shall establish a maturity date for each
19 treasurer's warrant note of not longer than ninety days from the date of
20 initial issue. The treasurer may specify that treasurer's warrant notes
21 may be called for redemption at any time before the specified maturity
22 date.

23 E. The treasurer shall pay interest from the treasurer's warrant
24 note redemption fund on the face value of each warrant note at the rate
25 established by the state treasurer at the time of issuing the warrant
26 note. Interest shall be paid from the date of the treasurer's warrant
27 note until the maturity date or redemption date. The treasurer shall
28 establish the interest rate before the exchange or sale of warrant notes
29 at a rate OF not ~~in excess of~~ MORE THAN the maximum rate permitted by the
30 state loan commissioners.

31 F. The state loan commissioners, at a meeting called and chaired by
32 the state treasurer, shall fix or change the maximum rate of interest that
33 may be paid on warrant notes. ~~NO~~ ANY change of the maximum allowable rate
34 of interest as established by the state loan commissioners shall NOT
35 affect warrant notes issued before the date of the change.

36 G. Each treasurer's warrant note shall be signed by the treasurer
37 or the treasurer's designated agent and countersigned by the director of
38 the department of administration or the director's designated agent. The
39 required signatures may be electronic signatures. All treasurer's warrant
40 notes shall be substantially in the following form:

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Treasurer's warrant note
(20__ to ____ fiscal year)
Number _____
Phoenix, Arizona _____, 20__
On _____, 20__, the treasurer of the state
of Arizona will pay to the order of _____ at
_____ \$_____ with interest
at _____ per annum from the date of issuance until paid
(calculated on a 365/366 day basis).
(insert early redemption provisions)

(Countersigned) State Treasurer
Director of the department
of administration

H. Treasurer's warrant notes may be exchanged or sold for the combined face value of any number of treasurer's warrant notes previously issued. Except for those treasurer's warrant notes issued in exchange for or to redeem treasurer's warrant notes previously issued, ~~no~~ treasurer's warrant notes may NOT be issued, exchanged or sold except in payment of or to provide monies ~~for the payment of a warrant or~~ TO PAY warrants, CHECKS OR SUBSTITUTE CHECKS, AND ELECTRONIC FUNDS TRANSFER VOUCHERS presented for payment as provided in section 35-185.

I. Treasurer's warrant notes issued in any fiscal year shall be numbered consecutively beginning with the number one. Treasurer's warrant notes shall be redeemed in numerical order. If the treasurer has sufficient monies to pay only a portion of the lowest numbered outstanding warrant note, ~~the~~ THE TREASURER may deposit the monies with the paying agent pursuant to subsection K of this section or call in the lowest numbered warrant note, before maturity according to its terms, and pay the bearer the amount available and issue to the bearer a new warrant note bearing a number that will preserve, for the new warrant note, the priority of the partially paid warrant note and bearing a value equal to the amount of principal and interest remaining unpaid. The new warrant note and the partial payment of principal and interest on the partially paid warrant note shall be exchanged for the partially paid warrant note. The new warrant note shall pay interest at the same rate as the partially paid warrant note. The treasurer may make the changes in the form and date of the new warrant note as necessary to reflect the amount of unpaid interest on the partially paid warrant note.

J. The treasurer may include in the form of the treasurer's warrant notes ~~such~~ provisions regarding the redemption and payment of treasurer's warrant notes before maturity as are consistent with subsections I and K of this section and section 35-185.02. If prior redemption is to be a provision of a treasurer's warrant note, the note shall provide a method

1 ~~of notification of~~ TO NOTIFY the holder of the note by publication or
2 written, telegraphic or electronic means as chosen by the treasurer.

3 K. The treasurer may appoint a paying agent ~~for the purpose of~~
4 ~~facilitating~~ TO FACILITATE the redemption and payment of treasurer's
5 warrant notes. Monies deposited with the paying agent shall be allocated
6 to ~~the payment of~~ PAY the principal of, interest on and any prior
7 redemption premiums associated with treasurer's warrant notes in numerical
8 order. A treasurer's warrant note ~~shall be~~ IS deemed paid for all
9 purposes of this section and section 35-185.02 when there is deposited
10 with the paying agent sufficient monies to pay all amounts when due on the
11 treasurer's warrant note and all amounts when due on all outstanding
12 treasurer's warrant notes bearing a lower number. A paying agent
13 appointed pursuant to this subsection shall provide security deposits as
14 required by the treasurer.

15 L. When the treasurer or the paying agent, if payment is made to a
16 paying agent, pursuant to subsection K of this section, pays treasurer's
17 warrant notes or when the warrant notes are redeemed, ~~the~~ THE TREASURER OR
18 PAYING AGENT shall mark on the face of the treasurer's warrant notes the
19 word "cancelled" or SHALL cancel the warrant notes by electronic means
20 indicating the date of cancellation and shall promptly present the notes
21 to the director of the department of administration who shall give the
22 state treasurer a receipt therefor.

23 M. If the state loan commissioners determine that it will result in
24 a lower net effective interest rate on one, some or all warrant notes to
25 be issued by the treasurer during the current fiscal year, the
26 commissioners may authorize the treasurer to purchase letters of credit
27 and to incur and pay insurance premiums, attorney fees or other related
28 costs incurred with respect to treasurer's warrant notes. All such
29 payments shall be treated in the same manner as interest to be paid on
30 treasurer's warrant notes and shall be paid from the treasurer's warrant
31 note redemption fund.

32 N. If treasurer's warrant notes are to be exchanged for warrants,
33 CHECKS OR SUBSTITUTE CHECKS, OR ELECTRONIC FUNDS TRANSFER VOUCHERS held by
34 banks or savings and loan associations, the treasurer may enter into
35 agreements with such banks or savings and loan associations to provide for
36 the issuance, reissuance and custody of treasurer's warrant notes, the
37 fixing of the interest rates on the treasurer's warrant notes and the
38 method of giving notice to the holders of the notes. Such agreements may
39 provide for a book entry system for the treasurer's warrant notes or may
40 provide for the issuance of one note with an appropriate grid on the
41 reverse, which shall show the advancements made by the banks or savings
42 and loan associations and also the payments of interest and reductions of
43 principal. Such agreements may be continuing in nature, may be executed
44 at any time and may apply to any treasurer's warrant notes exchanged for
45 either warrants, CHECKS OR SUBSTITUTE CHECKS, OR ELECTRONIC FUNDS TRANSFER

1 VOUCHERS or treasurer's warrant notes at any time during the remainder of
2 the fiscal year in which the agreement is made. The agreements shall
3 provide a method to preserve the priority of, interest rate on and other
4 terms of each treasurer's warrant note exchanged pursuant to the
5 agreement. ~~NO~~ ANY such agreement shall NOT become effective until
6 approved by the state loan commissioners.

7 Sec. 10. Section 35-185.02, Arizona Revised Statutes, is amended to
8 read:

9 35-185.02. Treasurer's warrant note redemption fund; receipt;
10 appropriation

11 A. The treasurer's warrant note redemption fund is established. Any
12 time ~~that~~ treasurer's warrant notes ~~have been~~ ARE issued and remain
13 outstanding, all monies that would otherwise be paid into the state
14 general fund, except for amounts sufficient to pay the salaries of
15 constitutional officers of this state, shall be deposited ~~into~~ IN the
16 treasurer's warrant note redemption fund. All monies in the treasurer's
17 warrant note redemption fund shall be used exclusively to pay the
18 principal of and interest on treasurer's warrant notes, and to pay the
19 fees and charges authorized by this chapter. Monies in the treasurer's
20 warrant note redemption fund shall be invested by the state treasurer, or
21 a paying agent appointed pursuant to section 35-185.01, subsection K, and
22 shall be credited to the treasurer's warrant note redemption fund.

23 B. ~~At such time as~~ IF all warrant notes have been redeemed and the
24 principal of and interest on such warrant notes have been paid along with
25 any fees and charges authorized by this chapter, the paying agent shall
26 return all unused and unneeded monies to the treasurer and the treasurer
27 shall transfer any remaining amounts in the treasurer's warrant note
28 redemption fund to the state general fund.

29 C. All monies deposited in the treasurer's warrant note redemption
30 fund are appropriated to the state treasurer to pay the principal of and
31 interest on outstanding treasurer's warrant notes and to pay any fees and
32 charges authorized by this chapter. The amount appropriated to the
33 treasurer pursuant to this subsection constitutes a continuing
34 appropriation and shall not exceed the sum of the face values of the
35 treasurer's warrant notes issued plus an additional one-fifth of that sum
36 for ~~payment of~~ PAYING interest on the treasurer's warrant notes and fees
37 and charges authorized by this chapter. The state treasurer ~~may~~, if
38 authorized by the state loan commission, MAY provide for the payment of a
39 premium ~~upon~~ ON redemption and payment of warrant notes before the
40 maturity date established at the time of issuance.

41 D. The presentation on or after ~~its~~ THE maturity date or earlier
42 call date of a treasurer's WARRANT note shall constitute full and
43 sufficient authority for the state treasurer or a paying agent appointed
44 pursuant to section 35-185.01, subsection K to disburse public monies from
45 the treasurer's warrant note redemption fund in the amount stated on the

1 face of the treasurer's warrant note plus any interest and prior
2 redemption premiums, if applicable, when due.

3 E. All amounts deposited in the treasurer's warrant note redemption
4 fund are pledged and held in trust for the benefit of the holders of the
5 treasurer's warrant notes for the exclusive payment of the principal of
6 and interest on outstanding treasurer's warrant notes and the payment of
7 the fees and charges authorized by this chapter. All monies so pledged
8 and received by the treasurer to be placed in the treasurer's warrant NOTE
9 redemption fund ~~shall be~~ ARE immediately deemed assigned to and held in
10 trust, without notice or recording of any nature whatsoever, for the
11 holders of outstanding treasurer's warrant notes and other persons to be
12 paid as provided by this article.

13 Sec. 11. Section 35-186, Arizona Revised Statutes, is amended to
14 read:

15 35-186. Duplicate warrants or checks; notice; bond; form and
16 effect

17 A. ~~When~~ IF it appears to the satisfaction of the department of
18 administration, by affidavit or otherwise, that any warrant OR CHECK has
19 been lost or destroyed ~~prior to~~ BEFORE payment and there is no reasonable
20 probability of its being found or presented or that a warrant OR CHECK has
21 not been presented for payment within the time specified on the face of
22 the warrant OR CHECK, the department of administration may issue to the
23 owner a duplicate of ~~such~~ THE lost, destroyed or out-of-date warrant OR
24 CHECK. Before issuing ~~such~~ THE duplicate, the department of
25 administration shall send a written stop payment notice to the state
26 treasurer giving the number, amount and date of the LOST, DESTROYED OR
27 OUT-OF-DATE warrant OR CHECK, the payee and the fund on which drawn.

28 B. The director of the department of administration shall establish
29 procedures for issuing duplicate warrants OR CHECKS that protect this
30 state and provide the owner with a duplicate warrant OR CHECK within a
31 reasonable time.

32 Sec. 12. Section 35-187, Arizona Revised Statutes, is amended to
33 read:

34 35-187. Warrants, checks and substitute checks; limit on
35 payment

36 A warrant, ~~upon~~ CHECK OR SUBSTITUTE CHECK ON the state treasury
37 shall not be paid unless presented to the state treasurer for payment
38 ~~prior to~~ BEFORE the void date printed on the face of the warrant, CHECK OR
39 SUBSTITUTE CHECK. Any warrant, CHECK OR SUBSTITUTE CHECK that includes
40 federal, trust or donated monies held for the payment of void warrants OR
41 CHECKS shall be transferred or reverted to the fund from which it was
42 drawn. All other monies held for the payment of void warrants, CHECKS OR
43 SUBSTITUTE CHECKS are deemed property presumed abandoned under section
44 44-302, subsection A, paragraph 11 and shall be transmitted to the
45 department of revenue ~~on a monthly basis~~ EACH MONTH. For THE purposes of

1 this section and title 44, chapter 3, a warrant, CHECK OR SUBSTITUTE CHECK
2 does not include a ~~state issued~~ STATE-ISSUED check for support as defined
3 in section 25-500 or for spousal maintenance.

4 Sec. 13. Section 35-190, Arizona Revised Statutes, is amended to
5 read:

6 35-190. Incurring obligations after close of fiscal year;
7 lapsing appropriations; exceptions

8 A. Except as provided in section 35-191, ~~no~~ AN officer or other
9 agency of the state ~~shall~~, after the close of any fiscal year, SHALL NOT
10 incur or order or approve ~~the~~ incurring ~~of~~ any obligation or expenditure
11 under any appropriation made by the legislature for ~~such~~ THAT fiscal year.
12 ~~, and no~~ AN expenditure shall NOT be made from or be charged to any
13 appropriation made by the legislature for any fiscal year ~~which~~ THAT has
14 expired at the time the obligation for such AN expenditure was incurred.

15 B. The department of administration may draw warrants, CHECKS OR
16 ELECTRONIC FUNDS TRANSFER VOUCHERS against the available balances of
17 appropriations made for a fiscal year for a period of one month after the
18 close of ~~such~~ THAT fiscal year:

19 1. ~~For payment of~~ TO PAY obligations incurred during the fiscal
20 year for which such appropriations were made.

21 2. ~~In fulfillment of~~ TO FULFILL contracts properly made during ~~such~~
22 THE year as determined by the director of the department of
23 administration.

24 C. ~~After expiration of such period of~~ One month ~~from~~ AFTER the
25 beginning of each fiscal year, all balances of appropriations for the
26 prior fiscal year ~~shall~~ lapse and ~~no~~ further payments shall NOT be made on
27 any claim ~~on account of~~ DUE TO expenditures ~~of such~~ FOR THE prior fiscal
28 year.

29 D. Appropriations for construction or other permanent improvements
30 ~~shall~~ DO not lapse until the purpose for which the appropriation was made
31 has been accomplished or abandoned, unless ~~such~~ THE appropriation is
32 available during the entire fiscal year without an expenditure ~~therefrom~~
33 FROM or encumbrance ~~thereon~~ ON THE APPROPRIATION.

34 E. ~~Nothing in~~ This section ~~shall be construed to~~ DOES NOT require
35 reversion to the STATE general fund of any balance derived wholly or
36 partly from federal grants, earnings or other sources, and remaining in
37 any special revenue, endowment, interest, redemption or suspense agency
38 fund at the close of the fiscal year unless expressly ~~so~~ provided by law,
39 or ~~to~~ require reversion to the STATE general fund of any balance of fiscal
40 year appropriations made for state institutions under the control of the
41 Arizona board of regents.

1 Sec. 14. Section 35-191, Arizona Revised Statutes, is amended to
2 read:

3 35-191. Administrative adjustment; refunds; presentation and
4 disposition of claims; report; exemption

5 A. A claim against this state arising out of contractual relations
6 that has not been paid because of failure to file within the time
7 prescribed by law, or because of any other technical defect not affecting
8 the validity or the contractual liability of this state, is subject to
9 administrative adjustment as provided in this section. A claim against
10 this state arising from orders for goods or services made in one fiscal
11 year and received in the next fiscal year is subject to administrative
12 adjustment as provided in this section if written documentation is
13 provided by the ordering budget unit and written approval is granted by
14 the director of the department of administration. The budget unit shall
15 keep on file the written documentation and authorization by the director.

16 B. If a claim from the prior fiscal year is presented within one
17 year and if sufficient funds remain in the reverted appropriation to pay
18 the claim, the department of administration, on approval of the claim,
19 shall draw a warrant, ~~in payment of~~ CHECK OR ELECTRONIC FUNDS TRANSFER
20 VOUCHER TO PAY the claim and the warrant, CHECK OR ELECTRONIC FUNDS
21 TRANSFER VOUCHER shall be paid out of the fund to which the unused
22 appropriation reverted.

23 C. If a claim is presented that is more than one fiscal year and
24 less than four fiscal years old and if sufficient ~~funds~~ MONIES remain in
25 the reverted appropriation to pay the claim, the department of
26 administration shall present the claim to the legislature requesting an
27 appropriation of monies sufficient ~~for payment of~~ TO PAY the claim.

28 D. A claim of ~~three hundred dollars~~ \$300 or less from a prior
29 fiscal year presented for payment ~~by~~ ON OR BEFORE June 30 of the fourth
30 subsequent fiscal year may be paid out of an available current year
31 appropriation of the budget unit if the claim is determined to be in the
32 best interest of this state and is approved by the director of the
33 department of administration.

34 E. A claim for refund on any fee, license, permit or erroneous
35 payment, the revenue having been placed in any separate fund, or the
36 state general fund, is subject to this section if no specific provision
37 for refund is prescribed by law. If a claim for refund is approved,
38 payment shall be made ~~out of~~ FROM any unexpended or unappropriated balance
39 in the separate fund or the state general fund.

40 F. If this state's liability cannot be determined until a
41 subsequent fiscal year but is resolved administratively after one fiscal
42 year, the claim shall be paid from the appropriation for the year in which
43 the liability is determined in accordance with the procedures established
44 by the department of administration.

1 G. All claims filed under this section shall be presented to the
2 department of administration in the manner prescribed by law and
3 procedures established by the department of administration for
4 presentation and audit of claims.

5 H. On or before November 1 of each year, the director of the
6 department of administration shall submit a report to the director of the
7 joint legislative budget committee listing the written approvals granted
8 by the director of the department of administration for administrative
9 adjustment of orders for goods or services made in one fiscal year and
10 received on or after August 31 of the next fiscal year.

11 I. This section does not apply to a claim for damages for injury to
12 a person or property or to any claim if the goods or services were
13 received four fiscal years ~~prior to~~ BEFORE the presentation of the claim.

14 Sec. 15. Section 35-193, Arizona Revised Statutes, is amended to
15 read:

16 35-193. Revolving funds

17 A. The supervisory official of a budget unit may apply to the
18 department of administration to provide a revolving fund in an amount
19 ~~which~~ THAT will allow the budget unit to pay operating expense items under
20 procedures prescribed by the department of administration.

21 B. The application for a revolving fund shall state the purposes
22 for which required, the amount deemed necessary, the ~~particular~~
23 ~~shall~~ WILL have custody of and be charged with ~~the~~ handling and accounting
24 of the fund and the appropriation or other fund to which the revolving
25 fund is to be charged.

26 C. The department of administration shall review the application as
27 to purpose and reasonableness of amount requested and if acceptable may
28 draw a warrant, CHECK OR ELECTRONIC FUNDS TRANSFER VOUCHER to the order of
29 the officer applying therefor, and charge the amount thereof against the
30 appropriation or other fund of that budget unit as requested.

31 D. The manner of accounting for a revolving fund shall be as
32 prescribed by the director of the department of administration. A
33 revolving fund established under this section does not revert to the state
34 general fund at the end of the fiscal year.

35 E. At the request of the director of the department of
36 administration, the applicant shall return to the state treasurer the full
37 amount of the revolving fund or amount requested, and ~~no~~ claims for
38 services of the officer applying therefor or the head of the budget unit
39 shall NOT be paid until ~~such~~ THE request has been complied with.

40 Sec. 16. Section 35-212, Arizona Revised Statutes, is amended to
41 read:

42 35-212. Injunctive and civil remedies; time limit; definition

43 A. The attorney general in the attorney general's discretion may
44 bring an action in the name of the state to:

- 1 1. Enjoin the illegal payment of public monies, including
2 violations of section 11-952 and title 41, chapter 23.
- 3 2. Recover illegally paid public monies plus twenty percent of that
4 amount together with interest and costs, including reasonable attorney
5 fees, to be paid to the state treasurer or other appropriate official, or,
6 in the case of public monies of a political subdivision that did not
7 originate or were not received from this state, to the political
8 subdivision, to the credit of the fund from which the payment was made.
- 9 B. The attorney general may bring an action to recover illegally
10 paid public monies against:
- 11 1. Any person who received the illegal payment.
- 12 2. The public body or the public officer acting in the officer's
13 official capacity who ordered or caused the illegal payment or has
14 supervisory authority over the person that ordered or caused the illegal
15 payment.
- 16 3. The public official, employee or agent who ordered or caused the
17 illegal payment, including a payment ordered or caused to be made without
18 authorization of law.
- 19 C. A public official, employee or agent of this state, a political
20 subdivision of this state or a budget unit who is charged with collecting,
21 receiving, safekeeping, transferring or disbursing public monies may be
22 held personally liable for an illegal payment of public monies, including
23 payment made without authorization of law.
- 24 D. A public official, employee or agent of this state, a political
25 subdivision of this state or a budget unit who is responsible for
26 disbursing, collecting, receiving, safekeeping or transferring public
27 monies pursuant to a warrant, CHECK OR SUBSTITUTE CHECK, ELECTRONIC FUNDS
28 TRANSFER VOUCHER or other form of claim that does not originate from the
29 public official, employee or agent making the disbursement may not be held
30 personally liable for illegal payments made pursuant to such warrants,
31 CHECKS OR SUBSTITUTE CHECKS, ELECTRONIC FUNDS TRANSFER VOUCHERS or other
32 claims unless the public official, employee or agent knew or should have
33 known that a warrant, CHECK OR SUBSTITUTE CHECK, ELECTRONIC FUNDS TRANSFER
34 VOUCHER or other claim would result in an illegal payment of public
35 monies.
- 36 E. An action brought pursuant to this article is subject to title
37 12, chapter 7, article 2. If the action is brought by the attorney
38 general, the action must be brought within five years after the date an
39 illegal payment was ordered and section 12-821.01 does not apply to the
40 action.
- 41 F. For the purposes of this section, "public monies" includes all
42 monies coming into the lawful possession, custody or control of budget
43 units, state agencies, boards, commissions or departments or a state
44 officer, employee or agent in an official capacity, and all monies coming
45 into the lawful possession, custody or control of a tax-supported

1 political subdivision or an officer, employee or agent of a tax-supported
2 political subdivision in an official capacity irrespective of the source
3 from which, or the manner in which, the monies are received.

4 Sec. 17. Section 35-301, Arizona Revised Statutes, is amended to
5 read:

6 35-301. Duties and liabilities of custodian of public monies;
7 violations; classification

8 A public officer or other person, including justices of the peace
9 and constables, WHO IS charged with ~~the receipt~~ RECEIVING, safekeeping,
10 ~~transfer~~ TRANSFERRING or ~~disbursement of~~ DISBURSING public ~~money~~ MONIES is
11 guilty of a class 4 felony who:

12 1. Without authority of law, appropriates ~~it,~~ THE MONIES or any
13 portion thereof, ~~to his~~ THE PERSON'S own use, ~~or to the use of another.~~

14 2. Knowingly loans ~~it,~~ THE MONIES or any portion thereof.

15 3. Knowingly fails to keep ~~it~~ THE MONIES in ~~his~~ THE PERSON'S
16 possession until disbursed or paid ~~out~~ by authority of law.

17 4. Without authority of law knowingly deposits ~~it,~~ THE MONIES or
18 any portion thereof, ~~in a bank, or with a banker or other person, except~~
19 on special deposit for safekeeping.

20 5. Knowingly keeps a false account, ~~or makes a false entry or~~
21 erasure in an account of, ~~or relating to~~ ~~it~~ THE MONIES.

22 6. Alters, falsifies, conceals, destroys or obliterates such an
23 account with an intent to defraud or deceive.

24 7. Knowingly refuses or omits to pay ~~over,~~ on demand, ~~public~~
25 monies in ~~his hands, upon~~ THE PERSON'S CUSTODY ON presentation of a draft,
26 order or warrant, CHECK OR SUBSTITUTE CHECK, OR ELECTRONIC FUNDS TRANSFER
27 VOUCHER drawn ~~upon~~ ON such monies by competent authority.

28 8. Knowingly omits or refuses to transfer the ~~money~~ MONIES when a
29 transfer is required by law.

30 9. Knowingly transfers the ~~money~~ MONIES when not authorized or
31 directed by law.

32 10. Knowingly omits or refuses to pay ~~over~~ to an officer or person
33 authorized by law to receive ~~it,~~ THE MONIES any ~~money~~ MONIES received by
34 ~~him when~~ THE PERSON IF a duty is imposed by law to pay ~~over~~ the ~~money~~
35 MONIES.

36 Sec. 18. Section 35-312, Arizona Revised Statutes, is amended to
37 read:

38 35-312. Eligible depositories; collateral

39 A. Any eligible depository that receives an investment or any
40 deposit of treasury monies ~~in excess~~ of MORE THAN the amount insured by an
41 instrumentality of the United States shall collateralize those deposits
42 with any of the following:

43 1. Securities listed in section 35-313, subsection A, paragraphs 1
44 and 3.

45 2. State treasurer's warrant notes.

1 3. The safekeeping receipt of a federal reserve bank or any bank
2 located in a reserve city, or any bank authorized to do business in this
3 state, whose combined capital, surplus and outstanding capital notes and
4 debentures on the date of the safekeeping receipt are ~~one hundred million~~
5 ~~dollars~~ \$100,000,000 or more, evidencing the deposit therein of any
6 securities or instruments described in this section. A safekeeping
7 receipt ~~shall~~ DOES not qualify as security, if issued by a bank to secure
8 its own public deposits, unless issued directly through its trust
9 department. The safekeeping receipt shall show ~~upon~~ ON its face that it
10 is issued for the account of the state treasurer and shall be delivered to
11 the state treasurer.

12 4. Letters of credit issued by a federal home loan bank if:

13 (a) The letter of credit has been delivered pursuant to this
14 section or chapter 10, article 1 of this title to the statewide collateral
15 pool administrator.

16 (b) The letter of credit meets the required conditions of:

17 (i) Being irrevocable.

18 (ii) Being issued, presentable and payable at a federal home loan
19 bank in United States dollars. Presentation may be made by the
20 beneficiary submitting the original letter of credit, including any
21 amendments, and the demand in writing, by overnight delivery.

22 (iii) If the letter of credit is for purposes of chapter 10,
23 article 1 of this title, containing a statement that identifies the
24 statewide collateral pool administrator as the beneficiary.

25 (iv) Containing an issue date and a date of expiration.

26 (c) For the purposes of chapter 10, article 1 of this title, the
27 eligible depository, if notified by the statewide collateral pool
28 administrator, ~~is not allowed to~~ MAY NOT use new letters of credit issued
29 by a federal home loan bank if that federal home loan bank fails to pay a
30 draw request as provided for in the letters of credit or fails to properly
31 complete a confirmation of the letters of credit.

32 B. The securities, warrants or safekeeping receipt for those items
33 shall be accepted at market value equal to one hundred two ~~per cent~~
34 PERCENT of the deposit liability to the state treasurer, and, if at any
35 time their market value becomes less than one hundred two ~~per cent~~ PERCENT
36 of the deposit liability to the state treasurer, additional items required
37 to guarantee deposits shall be deposited immediately with the state
38 treasurer by the eligible depository. When items pledged as collateral
39 mature or are called for redemption, the cash received for the item shall
40 be held in place of the items until the eligible depository has obtained a
41 written release or provided substitute securities, instruments or
42 warrants.

43 C. The deposit of securities, warrants or a safekeeping receipt
44 must be such that the eligible depository will promptly pay to the state

1 treasurer monies in its custody, ~~upon~~ ON lawful demand, and will, when
2 required by law, pay the monies to the state treasurer.

3 D. The securities, warrants or safekeeping receipt of an eligible
4 depository shall be deposited with the state treasurer, and the state
5 treasurer is the custodian of those items. The state treasurer may then
6 deposit with the eligible depository monies then in ~~his~~ THE STATE
7 TREASURER'S possession in accordance with this article.

8 E. Eligible depositories shall report to the state treasurer
9 monthly and ~~upon~~ ON demand the par and market value of any pledged
10 collateral and the total deposits of the state treasurer.

11 Sec. 19. Section 35-313, Arizona Revised Statutes, is amended to
12 read:

13 35-313. Investment of trust and treasury monies; loan of
14 securities

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

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

20 2. Repurchase agreements collateralized with securities that are
21 authorized for investment pursuant to state law and that are purchased
22 from authorized counterparties that have adequate capital and liquidity as
23 determined by the state treasurer.

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

27 4. Commercial paper whose issuer is investment grade for short-term
28 obligations by any two nationally recognized statistical rating
29 organizations.

30 5. Bills of exchange or time drafts known as banker's acceptances
31 that are drawn on and accepted by a commercial bank.

32 6. Negotiable certificates of deposit issued by a nationally or
33 ~~state chartered~~ STATE-CHARTERED bank or savings and loan association.

34 7. Bonds, debentures, notes or other evidences of indebtedness that
35 are denominated in United States dollars and that carry an investment
36 grade rating by a nationally recognized bond rating agency.

37 8. Securities of or any other interests in any open-end or
38 closed-end management type investment company or investment trust,
39 including exchange traded products whose underlying investments are
40 invested in securities allowed by state law, registered under the
41 investment company act of 1940 (54 Stat. 789; 15 United States Code
42 sections 80a-1 through 80a-64), as amended. For any treasurer investment
43 pool that seeks to maintain a constant share price, both of the following
44 apply:

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

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

6 9. Certificates of deferred property taxes as provided by section
7 42-17309.

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

12 11. Shares in the treasurer's local government investment pools
13 pursuant to section 35-326 ~~provided that~~ IF investment policies of the
14 pool seek to maintain a constant share price.

15 12. Shares in the treasurer's long-term local government investment
16 pools, ~~which~~ THE terms OF WHICH are determined by the state board of
17 investment, pursuant to section 35-326.01.

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

20 14. Deposits placed in accordance with the procedures prescribed in
21 section 35-323.01.

22 15. Institutional common trust funds whose underlying investments
23 are invested in securities allowed by state law.

24 16. Program funding obligations delivered by the credit enhancement
25 eligibility board pursuant to section 15-2157.

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

31 C. The state treasurer may contract to loan securities owned by the
32 trust funds and operating monies deposited in the investment pools
33 pursuant to section 35-316, subsection B to the financial or dealer
34 community through one or more of the entities listed in section 35-317,
35 subsection A, or authorized by the board of investment pursuant to section
36 35-311, subsection E, if the borrower transfers collateral to the state
37 treasurer or acting agent of the state in the form of cash or securities
38 authorized for investment pursuant to state law. Collateral posted in the
39 form of cash shall be in an amount equal to at least one hundred percent
40 of the market value of the loaned securities as agreed. Collateral posted
41 in the form of securities shall be in an amount of at least one hundred
42 two percent of the market value of the loaned securities as established
43 from time to time by the board of investment. The loaned securities shall
44 be valued as to market value daily, and, if necessary, the borrower shall
45 post additional collateral, as agreed, to ensure that the required margin

1 is maintained. The state treasurer may collect from the borrower all
2 dividends, interest, premiums, rights and other distributions to which the
3 lender of securities would otherwise be entitled. The state treasurer may
4 terminate the contract on ~~not less than~~ AT LEAST five business days'
5 notice, as agreed, and the borrower may terminate the contract on ~~not less~~
6 ~~than~~ AT LEAST two business days' notice, as agreed.

7 D. The state treasurer shall invest operating monies in state
8 transportation board funding obligations delivered pursuant to section
9 28-7678 pursuant to the following:

10 1. The state treasurer shall liquidate investments of operating
11 monies if necessary ~~in order~~ to invest in state transportation board
12 funding obligations, except that if operating monies in the state general
13 fund fall below an ~~eight hundred million dollar~~ \$800,000,000 average over
14 the previous twelve consecutive months, the state treasurer is not
15 required to purchase state transportation board funding obligations
16 pursuant to this subsection.

17 2. Each series of state transportation board funding obligations
18 shall bear interest at a fixed interest rate equal to the mean bid-ask
19 price of the United States treasury obligation with a maturity date
20 closest to the maturity date of the state transportation board funding
21 obligation as determined by the pricing system used by the state treasurer
22 before the date the state treasurer receives a certificate from the state
23 transportation board that states the board's determination to deliver an
24 obligation to the state treasurer and the anticipated delivery date of the
25 obligation. The delivery date shall be between fifteen and sixty days
26 after the day the state treasurer receives the certificate.

27 3. The state treasurer shall ~~provide written notice to~~ NOTIFY the
28 state transportation board and the director of the department of
29 transportation IN WRITING when the operating monies fall below ~~four~~
30 ~~hundred million dollars~~ \$400,000,000. If operating monies fall below ~~two~~
31 ~~hundred million dollars~~ \$200,000,000, the state treasurer may call the
32 investment in the state transportation board funding obligations in
33 ~~twenty-five million dollar~~ \$25,000,000 increments up to the amount that
34 the operating monies are below ~~two hundred million dollars~~ \$200,000,000.
35 The state treasurer shall give the state transportation board and the
36 director of the department of transportation at least fifteen days' notice
37 of the call.

38 Sec. 20. Section 35-315, Arizona Revised Statutes, is amended to
39 read:

40 35-315. Servicing banks; qualifications; proposals

41 A. Any bank THAT IS eligible to become an eligible depository
42 having a total capital structure of ~~ten million dollars~~ \$10,000,000 or
43 more and assets of ~~one hundred million dollars~~ \$100,000,000 or more and
44 ~~being~~ THAT IS otherwise in a sound condition is eligible to be the
45 servicing bank for the state.

1 B. The state board of investment shall provide for public notice to
2 the banks qualified to be a servicing bank of the time and place at which
3 servicing proposals will be received. Requests for proposals shall
4 clearly specify all services required to be performed by the servicing
5 bank. The servicing proposal submitted shall be the compensation for
6 which the qualified bank will agree to perform the required services as a
7 servicing bank for the ensuing period of designation as established by the
8 board of investment. The award shall be made for a period ~~not to exceed~~
9 OF NOT MORE THAN five years and may be paid from STATE general fund
10 interest earnings according to rules adopted by the board of investment.

11 C. The state treasurer shall receive the servicing proposals in
12 writing. Only those proposals that conform to the specifications set
13 forth in the request for proposals shall be considered. The qualified
14 bank submitting the proposal with the highest value to this state, as
15 determined by the state treasurer and the board of investment, shall be
16 designated as the servicing bank. Designations shall be evidenced by the
17 signing of the final proposal by the state treasurer, the board of
18 investment and the designee bank. The state treasurer may maintain a bank
19 account in conjunction with the servicing bank account, which must ALWAYS
20 have on deposit ~~at all times~~ a sum of money approximating the average
21 dollar value of daily warrants paid by the bank the previous month.

22 D. The state treasurer may request and qualified banks may submit
23 proposals for any or all of the services required. The state treasurer
24 may specify differing contract periods for any ~~or all~~ of the services
25 required.

26 E. The state treasurer or servicing bank may terminate a servicing
27 bank contract at any time after sixty days' prior written notice is given.

28 F. In addition to the services required of the servicing bank, the
29 state treasurer shall contract for all other banking services required by
30 any state agency. ~~No~~ A state agency shall NOT contract for banking
31 services except with the written permission of the state treasurer.

32 G. This section does not require the state treasurer to ~~utilize~~ USE
33 a servicing bank.

34 H. This section or the specifications set forth in the request for
35 proposals ~~shall DO not be construed to~~ require the servicing bank to
36 purchase warrants.

37 I. Deposits and withdrawals of monies shall be made by the state
38 treasurer on the servicing bank.

39 Sec. 21. Section 35-323, Arizona Revised Statutes, is amended to
40 read:

41 35-323. Investment of public monies; bidding; security;
42 requirements

43 A. The treasurer shall invest and reinvest public monies in
44 securities and deposits with a maximum maturity of five years. All public

1 monies shall be invested in eligible investments. Eligible investments
2 are:

3 1. Certificates of deposit in eligible depositories.

4 2. Deposits in one or more federally insured banks or savings and
5 loan associations placed in accordance with the procedures prescribed in
6 section 35-323.01.

7 3. Interest bearing savings accounts in banks and savings and loan
8 institutions doing business in this state whose accounts are insured by
9 federal deposit insurance for their industry, but only if deposits ~~in~~
10 ~~excess~~ of MORE THAN the insured amount are secured by the eligible
11 depository to the same extent and in the same manner as required under
12 this article.

13 4. Repurchase agreements with a maximum maturity of one hundred
14 eighty days.

15 5. The pooled investment funds established by the state treasurer
16 pursuant to section 35-326.

17 6. Obligations issued or guaranteed by the United States or any of
18 the senior debt of its agencies, sponsored agencies, corporations,
19 sponsored corporations or instrumentalities.

20 7. Bonds, notes or other evidences of indebtedness of this state or
21 any of its counties, incorporated cities or towns, school districts or
22 special taxing districts, including registered warrants, substitute
23 checks, and electronic funds ~~transfers~~ TRANSFER VOUCHERS that bear
24 interest pursuant to section 11-635.

25 8. Bonds, notes or evidences of indebtedness of any county,
26 municipal district, municipal utility or special taxing district of any
27 state that are payable from revenues, earnings or a special tax
28 specifically pledged for the payment of the principal OF and interest on
29 the obligations, and for the payment of which a lawful sinking fund or
30 reserve fund has been established and is being maintained, but only if ~~no~~
31 A default in payment on principal or interest on the obligations to be
32 purchased has NOT occurred within five years ~~of~~ AFTER the date of
33 investment, or, if such obligations were issued less than five years
34 before the date of investment, ~~no~~ A default in payment of principal or
35 interest has NOT occurred on the obligations to be purchased ~~nor~~ OR any
36 other obligations of the issuer within five years ~~of~~ AFTER the investment.

37 9. Bonds, notes or evidences of indebtedness issued by any county
38 improvement district or municipal improvement district of any state to
39 finance local improvements authorized by law, if the principal and
40 interest of the obligations are payable from assessments on real property
41 within the improvement district. An investment shall not be made if:

42 (a) The face value of all such obligations, and similar obligations
43 outstanding, exceeds fifty percent of the market value of the real
44 property, and if improvements on which the bonds or the assessments for

1 the payment of principal and interest on the bonds are liens inferior only
2 to the liens for general ad valorem taxes.

3 (b) A default in payment of principal or interest on the
4 obligations to be purchased has occurred within five years ~~of~~ AFTER the
5 date of investment, or, if the obligations were issued less than five
6 years before the date of investment, a default in the payment of principal
7 or interest has occurred on the obligations to be purchased or on any
8 other obligation of the issuer within five years ~~of~~ AFTER the investment.

9 10. Commercial paper of prime quality that is rated within the top
10 two ratings by a nationally recognized rating agency. All commercial
11 paper must be issued by corporations organized and doing business in the
12 United States.

13 11. Bonds, debentures, notes or other evidences of indebtedness
14 that are denominated in United States dollars and that carry at a minimum
15 an "A" or better rating, at the time of purchase, from at least two
16 nationally recognized rating agencies.

17 12. Negotiable or brokered certificates of deposit issued by a
18 nationally or ~~state chartered~~ STATE-CHARTERED bank or savings and loan
19 association.

20 13. Securities of or any other interests in any open-end or
21 closed-end management type investment company or investment trust,
22 including exchange traded funds whose underlying investments are invested
23 in securities allowed by state law, registered under the investment
24 company act of 1940 (54 Stat. 789; 15 United States Code sections 80a-1
25 through 80a-64), as amended.

26 B. Certificates of deposit shall be purchased from the eligible
27 depository bidding the highest permissible rate of interest. ~~No~~ Monies
28 over ~~one hundred thousand dollars~~ \$100,000 may NOT be awarded at any
29 interest rate less than one hundred three percent of the equivalent bond
30 yield of the offer side of United States treasury bills having a similar
31 term. If the eligible depository offering to pay the highest rate of
32 interest has bid only for a portion of the monies to be awarded, the
33 remainder of the monies shall be awarded to eligible depositories bidding
34 the next highest rates of interest.

35 C. An eligible depository is not eligible to receive total
36 aggregate deposits from this state and all its subdivisions in an amount
37 exceeding twice its capital structure as outlined in the last call of
38 condition of the superintendent of financial institutions.

39 D. If two or more eligible depositories submit bids of an identical
40 rate of interest for all or any portion of the monies to be deposited, the
41 award of the deposit of the monies shall be made to the eligible
42 depository among those submitting identical bids having, at the time of
43 the bid opening, the lowest ratio of total public deposits in relation to
44 its capital structure.

1 E. Each bid THAT IS submitted, and not withdrawn ~~prior to~~ BEFORE
2 the time specified, constitutes an irrevocable offer to pay interest as
3 specified in the bid on the deposit, or portion bid for, and the award of
4 a deposit in accordance with this section obligates the depository to
5 accept the deposit and pay interest as specified in the bid pursuant to
6 which the deposit is awarded.

7 F. The treasurer shall maintain a record of all bids received and
8 shall make available to the board of deposit at its next regularly
9 scheduled meeting a correct list showing the bidders, the bids received
10 and the amount awarded. These records shall be available to the public
11 and shall be kept in the possession of the treasurer for ~~not less than~~ AT
12 LEAST two years ~~from~~ AFTER the date of the report.

13 G. Any eligible depository, before receiving a deposit ~~in excess of~~
14 MORE THAN the insured amount under this article, shall deliver collateral
15 for the purposes of this subsection equal to at least one hundred two
16 percent of the deposit. The collateral shall be any of the following:

17 1. A bond executed by a surety company that is approved by the
18 treasury department of the United States and authorized to do business in
19 this state. The bond shall be approved as to form by the legal advisor of
20 the treasurer.

21 2. Securities or instruments of the following character:

22 (a) United States government or agency obligations.

23 (b) State, county, school district and other district municipal
24 bonds.

25 3. The safekeeping receipt of a federal reserve bank or any bank
26 located in a reserve city, or any bank authorized to do business in this
27 state, whose combined capital, surplus and outstanding capital notes and
28 debentures on the date of the safekeeping receipt are ~~ten million dollars~~
29 \$10,000,000 or more, evidencing the deposit therein of any securities or
30 instruments described in this section. A safekeeping receipt shall not
31 qualify as security, if issued by a bank to secure its own public
32 deposits, unless issued directly through its trust department. The
33 safekeeping receipt ~~shall~~ DOES show on its face that it is issued for the
34 account of the treasurer and shall be delivered to the treasurer. The
35 safekeeping receipt may provide for the substitution of securities or
36 instruments that qualify under this section with the affirmative act of
37 the treasurer.

38 4. Letters of credit issued by a federal home loan bank if:

39 (a) The letter of credit has been delivered pursuant to this
40 section or chapter 10, article 1 of this title to the statewide collateral
41 pool administrator.

42 (b) The letter of credit meets the required conditions of:

43 (i) Being irrevocable.

44 (ii) Being issued, presentable and payable at a federal home loan
45 bank in United States dollars. Presentation may be made by the

1 beneficiary submitting the original letter of credit, including any
2 amendments, and the demand in writing, by overnight delivery.

3 (iii) If the letter of credit is for purposes of chapter 10,
4 article 1 of this title, containing a statement that identifies the
5 statewide collateral pool administrator as the beneficiary.

6 (iv) Containing an issue date and a date of expiration.

7 (c) For the purposes of chapter 10, article 1 of this title, the
8 eligible depository, if notified by the statewide collateral pool
9 administrator, is not allowed to use new letters of credit issued by a
10 federal home loan bank if that federal home loan bank fails to pay a draw
11 request as provided for in the letters of credit or fails to properly
12 complete a confirmation of such letters of credit.

13 H. The securities, instruments or safekeeping receipt for the
14 securities and instruments shall be accepted at market value if not above
15 par, and, if at any time their market value becomes less than the deposit
16 liability to that treasurer, additional securities or instruments required
17 to guarantee deposits shall be deposited immediately with the treasurer
18 who made the deposit and deposited by the eligible depository in which the
19 deposit was made.

20 I. The condition of the surety bond, or the deposit of securities,
21 instruments or a safekeeping receipt, must be such that the eligible
22 depository will promptly pay to the parties entitled public monies in its
23 custody, on lawful demand, and will, when required by law, pay the monies
24 to the treasurer making the deposit.

25 J. Notwithstanding the requirements of this section, any
26 institution qualifying as an eligible depository may accept deposits of
27 public monies to the total then authorized insurance of accounts, insured
28 by federal deposit insurance, without depositing a surety bond or
29 securities in lieu of the surety bond.

30 K. An eligible depository shall report monthly to the treasurer the
31 total deposits of that treasurer and the par value and the market value of
32 any pledged collateral securing those deposits.

33 L. When a security or instrument pledged as collateral matures or
34 is called for redemption, the cash received for the security or instrument
35 shall be held in place of the security until the depository has obtained a
36 written release or provided substitute securities or instruments.

37 M. The surety bond, securities, instruments or safekeeping receipt
38 of an eligible depository shall be deposited with the treasurer making the
39 deposit, and the treasurer ~~shall be~~ IS the custodian of the bond,
40 securities, instruments or safekeeping receipt. The treasurer may then
41 deposit with the depository public monies then in the treasurer's
42 possession in accordance with this article, but not in an amount ~~in excess~~
43 of MORE THAN the surety bond, securities, instruments or safekeeping
44 receipt deposited, except for federal deposit insurance.

1 N. The following restrictions on investments ~~are applicable~~ APPLY:

2 1. ~~An investment of~~ Public operating fund monies shall not be
3 invested for a maturity of longer than five years.

4 2. The board of deposit may order the treasurer to sell any of the
5 securities, and any order shall specifically describe the securities and
6 fix the date on which they are to be sold. Securities so ordered to be
7 sold shall be sold for cash by the treasurer on the date fixed in the
8 order, at the ~~then current~~ THEN-CURRENT market price. The treasurer and
9 the members of the board are not accountable for any loss occasioned by
10 sales of securities at prices lower than their cost. Any loss or expense
11 shall be charged against earnings received from investment of public ~~funds~~
12 MONIES.

13 3. Investments shall not be made in companies identified pursuant
14 to section 35-392, subsection A, paragraph 1.

15 0. If the total amount of subdivision monies available for deposit
16 at any time is less than the maximum coverage amount of the federal
17 deposit insurance corporation, the subdivision board of deposit shall
18 award the deposit of the ~~funds~~ MONIES to an eligible depository in
19 accordance with an ordinance or resolution of the governing body of the
20 subdivision. Deposits of less than the maximum coverage amount of the
21 federal deposit insurance corporation are not subject to the requirements
22 of this chapter.

23 Sec. 22. Section 35-327, Arizona Revised Statutes, is amended to
24 read:

25 35-327. Treasurer; duties; safekeeping of securities;
26 warrants of financial officers; earnings;
27 exemptions; responsibilities

28 A. In ~~the investment of~~ INVESTING trust ~~funds~~ MONIES, the
29 responsible financial officer shall draw a warrant, CHECK OR ELECTRONIC
30 FUNDS TRANSFER VOUCHER at the direction of the treasurer, payable from the
31 proper fund ~~for the payment of~~ TO PAY FOR the security purchased.

32 B. A treasurer is responsible for the safekeeping of all securities
33 acquired by the treasurer under this section. Any such securities may be
34 deposited for safekeeping with any trust company that has its principal
35 place of business in this state or that is qualified to do a trust
36 business in this state.

37 C. A treasurer shall regularly account for, itemize and inventory
38 according to general public fund accounting practices all securities
39 coming lawfully into the treasurer's possession. Such practice shall be
40 audited by the auditor general for the counties and by an independent
41 auditor for cities and towns at the time of the regular audit as
42 prescribed by law.

43 D. The treasurer, ~~may~~ at the expense of the subdivision and with
44 the approval of the governing board, MAY enter into an agreement with the
45 trust department of any bank or banks authorized to do a trust business in

1 this state, for the safekeeping and handling of securities of which the
2 treasurer is lawful custodian. The agreement shall be entered into under
3 terms and conditions which THAT secure the proper safeguarding, inventory,
4 withdrawal and handling of the securities. Access to, deposits OF or
5 withdrawals of the securities from any place of deposit selected by the
6 officers shall not be permitted or made except as the terms of the
7 agreement provide. The agreement need not require that securities be
8 physically located in this state, if the securities are represented by
9 safekeeping receipts issued for the account of the treasurer by a federal
10 reserve bank or any bank located in a reserve city whose combined capital
11 and surplus on the date of the safekeeping receipt is ~~ten million dollars~~
12 \$10,000,000 or more.

13 E. When securities acquired under this section mature and become
14 due and payable, the treasurer shall present them for payment according to
15 their terms and collect the monies payable on them. The monies collected
16 shall be treated as subdivision monies subject to reinvestment or
17 operating needs or trust monies subject to the provisions of the trust.

18 F. The treasurer shall allocate pooled income earnings on a pro
19 rata basis to agency pool participants. Involuntary pool participants
20 shall have the income earnings for their ~~funds~~ MONIES deposited in the
21 general fund of the collecting entity.

22 G. As provided in this article, the governing body of any
23 subdivision or of any agency, department, board or commission of this
24 state or of any subdivision may, by ~~the adoption of~~ ADOPTING a resolution
25 of continuing effect, MAY authorize the treasurer to invest ~~funds~~ MONIES
26 collected for the governing body.

27 H. The investment of public monies as provided in this section is
28 exempt from ~~the provisions of~~ section 35-142, subsection B and sections
29 35-154, 35-181.01, 35-181.02, 35-182 through, 35-183, 35-184, 35-185,
30 35-185.01, 35-185.02, 35-186, through 35-187, 35-188, 35-189, 35-190,
31 ~~35-190.01~~, 35-191, 35-192, 35-192.01, 35-192.02, 35-193, 35-193.02 and
32 41-732.

33 I. A treasurer is responsible for the safekeeping, ~~management~~
34 MANAGING and ~~disbursement of~~ DISBURSING any investment made and any
35 interest received in compliance with this article.

36 Sec. 23. Section 35-381, Arizona Revised Statutes, is amended to
37 read:

38 35-381. Acceptance of warrants in payment of debts; exception
39 Warrants THAT ARE lawfully issued by a county, city or town, or by a
40 county school superintendent on behalf of a school district, are
41 assignable and shall be accepted at face value with accrued interest in
42 payment of not to exceed MORE THAN seventy-five percent PERCENT of any
43 debt or demand, including taxes, due the political subdivision on behalf
44 of which the warrants are issued. ~~but no~~ ANY such warrant shall NOT be

1 accepted ~~in payment of~~ TO PAY taxes levied for a political subdivision
2 other than that against which ~~it~~ THE WARRANT is drawn.

3 Sec. 24. Section 35-406, Arizona Revised Statutes, is amended to
4 read:

5 35-406. Sale of bonds; use of proceeds

6 A. The tax anticipation bonds shall be sold to the highest bidder
7 ~~who~~ THAT meets the conditions imposed by the loan commissioners, but shall
8 not be sold at less than par.

9 B. When the issuance and sale of any bonds have been completed, the
10 treasurer shall immediately call in and pay from the proceeds of the sale
11 all state warrants, CHECKS OR SUBSTITUTE CHECKS, AND ELECTRONIC FUNDS
12 TRANSFER VOUCHERS THAT ARE registered and accumulated at ~~such~~ THAT date,
13 or otherwise the proceeds of the bonds shall be used solely for the
14 purposes for which the taxes ~~upon~~ ON which the bonds are based were
15 levied.

16 Sec. 25. Section 35-426, Arizona Revised Statutes, is amended to
17 read:

18 35-426. Application of proceeds to redemption of
19 indebtedness; notice to redeem

20 A. ~~The money received by~~ The state treasurer shall be applied by
21 ~~him~~ APPLY MONIES RECEIVED to the redemption of REDEEM the indebtedness for
22 ~~the redemption of which the bonds were issued,~~ and the treasurer shall
23 give notice, in the same manner as for the payment PAYING and redemption
24 of REDEEMING state warrants, of his readiness to redeem CHECKS AND
25 SUBSTITUTE CHECKS, AND ELECTRONIC FUNDS TRANSFER VOUCHERS. AFTER THE
26 STATE TREASURER REDEEMS such indebtedness, ~~and thereafter~~ interest on all
27 such indebtedness due and outstanding shall cease.

28 B. Before such indebtedness is paid, the director of the department
29 of administration shall endorse on each certificate the amount due
30 thereon, and write across the face of each the date of its surrender and
31 the name of the person surrendering, and shall keep a record thereof.

32 Sec. 26. Section 35-430, Arizona Revised Statutes, is amended to
33 read:

34 35-430. Cancellation of redeemed bonds; record of redemption;
35 transmittal of abstract of record; payment of
36 interest

37 A. When the state treasurer pays or redeems any indebtedness, ~~he~~
38 THE TREASURER shall endorse, by writing or stamping in ink, on the face of
39 the paper evidencing such indebtedness so paid or redeemed, the words
40 "redeemed and canceled" with the date of cancellation.

41 B. The state treasurer shall keep a complete record of all bonds
42 redeemed and surrendered, and SHALL transmit to the governor an abstract
43 of ~~all proceedings relative thereto~~ THE RECORD with ~~his~~ THE annual report,
44 which shall be submitted by the governor to the legislature.

1 C. The treasurer shall pay the interest on the bonds, when ~~it falls~~
2 due, from the interest fund, if sufficient, and if not sufficient, from
3 the STATE general fund. ~~, and for such~~ IF A deficiency EXISTS, the
4 director of the department of administration shall draw ~~his~~ A warrant,
5 CHECK OR ELECTRONIC FUNDS TRANSFER VOUCHER on the state treasurer, payable
6 to the order of the state treasurer from the STATE general fund.

7 Sec. 27. Section 35-491, Arizona Revised Statutes, is amended to
8 read:

9 35-491. Registration of bonds; payment of principal and
10 interest; paying agent; security for deposits;
11 record date; definition

12 A. Bonds of this state, any department, agency or instrumentality
13 of this state or any political subdivision, municipal corporation or other
14 entity authorized by statute to issue bonds may be issued in a form ~~which~~
15 THAT is registrable as to the principal or as to both principal and
16 interest by a registrar designated by the issuer for such A purpose or may
17 be in book entry form on the books of the registrar. In the case of
18 entities for which bonds are issued by other bodies, the issuing body
19 shall employ registrars, transfer agents or paying agents if requested to
20 do so by the governing body of the entity or entities obligated to repay
21 the bonds. All costs incurred ~~by virtue of the employment of~~ DUE TO
22 EMPLOYING registrars or paying agents are the liability of the entity or
23 entities obligated to repay the bonds. The costs may be paid from bond
24 proceeds.

25 B. Evidence of registration shall be entered in a bond register,
26 disclosing the name of the holder, the number and amount of the bond, the
27 date of registry and other information deemed necessary. If required by
28 the proceedings authorizing the issuance of the bonds, the registrar shall
29 endorse ~~upon~~ ON the bond a certificate, signed by ~~him~~ THE REGISTRAR, that
30 the bond is registered and that the principal or principal and interest
31 are payable to the registered holder only, naming ~~him~~ THE REGISTERED
32 HOLDER or ~~his~~ THE REGISTERED HOLDER'S legal representative.

33 C. Notwithstanding any provision of law pertaining to the
34 authorization and issuance of any bond, in addition and supplemental to
35 the form of bond prescribed in such law, the issuer may prescribe a form
36 of bond ~~which~~ THAT meets the provisions of this section.

37 D. Notwithstanding any provision of law pertaining to the
38 authorization and issuance of any bond, the governing body ~~which~~ THAT
39 authorizes the issuance of any bond may prescribe that the bond be
40 executed by one or more facsimile signatures of designated officials. The
41 governing body of the issuer may, ~~but is not required to,~~ provide that a
42 bond be authenticated by the registrar or by an authorized officer of the
43 registrar.

44 E. The issuer may provide for ~~the payment of~~ PAYING principal OF or
45 principal and interest on any bond by check or warrant drawn on either the

1 treasurer of the issuer or on a paying agent and may provide for mailing
2 of the check to the registered owner or ~~may provide~~ for wire or other
3 electronic ~~means of~~ transfer of monies to the registered owner. An issuer
4 may contract with one or more banks or trust companies as paying agents
5 and a registrar for any issue or series of bonds and may pay the costs
6 either from bond proceeds or current revenues collected by the issuer.
7 All banks and trust companies shall pledge assets to secure the deposits
8 made for the purpose of paying either principal OF, ~~or~~ interest ON or both
9 principal and interest on any series of bonds.
10 F. The proceedings for the issuance of any bond may provide for ~~the~~
11 setting of a record date before each date set ~~for payment of~~ TO PAY
12 principal or interest. The record date is then the date the registrar
13 shall use to determine the ownership of the bonds for the next payment of
14 principal or interest.
15 G. For the purposes of this article, "registrar" includes the
16 recorder, secretary or clerk of the issuer or any other entity designated
17 by the issuer to act as the registrar.

APPROVED BY THE GOVERNOR APRIL 10, 2019.

FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 10, 2019.

Passed the House April 3, 20 19,

Passed the Senate February 14, 20 19,

by the following vote: 60 Ayes,

by the following vote: 30 Ayes,

0 Nays, 0 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 was received by the Governor this
4 day of April, 20 19,

at 10:24 o'clock A M.

[Signature]
Secretary to the Governor

Approved this 10th day of

April, 20 19,

at 2:31 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 10 day of April, 20 19,

at 4:20 o'clock P. M.

[Signature]
Secretary of State

S.B. 1299