

1 State of Arkansas *As Engrossed: S3/20/13 S3/25/13*

2 89th General Assembly

A Bill

3 Regular Session, 2013

SENATE BILL 838

4

5 By: Senators Rapert, Caldwell, J. Dismang, Irvin, J. Key, B. King, G. Stubblefield

6 By: Representative Dale

7

8

For An Act To Be Entitled

9

AN ACT TO REGULATE STATE TREASURY MANAGEMENT

10

PRACTICES AND PROCEDURES; TO PROVIDE FOR THE PRUDENT

11

INVESTMENT AND MANAGEMENT OF STATE TREASURY FUNDS;

12

AND FOR OTHER PURPOSES.

13

14

15

Subtitle

16

TO REGULATE STATE TREASURY MANAGEMENT

17

PRACTICES AND PROCEDURES; AND TO PROVIDE

18

FOR THE PRUDENT INVESTMENT AND MANAGEMENT

19

OF STATE TREASURY FUNDS.

20

21

22 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

23

24 SECTION 1. Arkansas Code Title 19, Chapter 3, is amended to add an

25 additional subchapter to read as follows:

26

Subchapter 7 – State Board of Finance

27

19-3-701. State Board of Finance – Creation – Members.

28

(a) The State Board of Finance is created.

29

(b) The board shall be composed of the following members:

30

(1) The Governor;

31

(2) The Treasurer of State;

32

(3) The Auditor of State;

33

(4) The Bank Commissioner;

34

(5) The Director of the Department of Finance and

35

Administration;

36

(6) The Securities Commissioner;



1 (7) One (1) person with knowledge and experience in commercial
2 banking;

3 (8) One (1) person who:

4 (A) Holds or has held a Series 7 licensure as a general
5 securities representative; and

6 (B) Has at least five (5) years of experience as a general
7 securities representative;

8 (9) One (1) certified public accountant who:

9 (A) Is licensed in Arkansas; and

10 (B) Has at least five (5) years of experience as a
11 certified public accountant; and

12 (10) One (1) member of the general public.

13 (c) A board member listed in subdivisions (b)(7)-(10) of this section:

14 (1) Shall serve a four-year term and may be reappointed, except
15 that the board member shall serve an initial term of either one (1) year, two
16 (2) years, three (3) years, or four (4) years as determined by lot in order
17 to establish staggered terms in which the term of one (1) of the four (4)
18 board members expires each year;

19 (2) Shall be paid a stipend of one hundred dollars (\$100) from
20 funds appropriated to the Treasurer of State for participation in each board
21 meeting;

22 (3) Shall not have a direct financial interest in a transaction
23 between an investment depository or bank depository and the:

24 (A) Board; or

25 (B) Treasurer of State;

26 (4) Shall not be related within the second degree of
27 consanguinity or affinity to a constitutional officer or a member of the
28 General Assembly;

29 (5) Shall abstain from voting on an issue that affects the board
30 member or the procedures, profits, or funding of a business or organization
31 of which the board member is a member; and

32 (6) May be removed for cause by a majority vote of the board.

33 (d)(1) A member listed in subdivisions (b)(7) and (8) of this section
34 shall be appointed and may be reappointed by the President Pro Tempore of the
35 Senate.

36 (2) A member listed in subdivisions (b)(9) and (10) of this

1 section shall be appointed and may be reappointed by the Speaker of the House
2 of Representatives.

3 (e) The Governor shall be chair of the board, and the Treasurer of
4 State shall be the secretary, executive officer, and disbursing agent of the
5 board.

6
7 19-3-702. Definitions.

8 As used in this subchapter:

9 (1) "Bank depository", "investment depository", "securities
10 broker", and "State Treasury" have the meanings provided in § 19-3-502; and

11 (2)(A) "Direct financial interest" means the direct compensation
12 or other remuneration to a person or a family member of a person that is
13 attributable to an investment or a deposit of money or securities from the
14 State Treasury.

15 (B) "Direct financial interest" does not include
16 compensation from the investment or deposit of a person's own money or
17 securities.

18
19 19-3-703. Meetings – Quorum – Staff.

20 (a)(1) Meetings of the State Board of Finance shall be held:

21 (A) At least quarterly:

22 (i) Upon the call of the Governor or by any three
23 (3) or more members; and

24 (ii) Upon advance notice to each member; and

25 (B) At a place that is convenient for the board.

26 (2) The meetings shall be conducted in accordance with the
27 Freedom of Information Act of 1967, § 25-19-101 et seq., and complete records
28 of the proceedings shall be kept.

29 (b)(1) Seven (7) members shall constitute a quorum for the transaction
30 of business.

31 (2) The affirmative vote of a majority of members present is
32 required to adopt a motion or resolution.

33 (c) The staff of an elected or appointed official of the board may
34 provide any assistance requested by the board.

35
36 19-3-704. Powers and duties.

1 (a) In addition to any other function, power, or duty imposed by law,
2 the State Board of Finance shall establish, maintain, and enforce all
3 policies and procedures concerning the management and investment of funds in
4 the State Treasury and the State Treasury Money Trust Management Fund,
5 including without limitation:

6 (1) Record keeping and reporting requirements that reflect:

7 (A) Daily, monthly, and year-to-date balances of all
8 funds, accounts, and groups of accounts within the State Treasury; and

9 (B) The performance of all deposits and investments
10 compared to the target rate of return established by the board;

11 (2) A collateralization policy;

12 (3) Eligibility requirements for a bank depository, an
13 investment depository, a securities broker and, before accepting an
14 application to hire an investment consultant under subsection (c) of this
15 section, an investment consultant;

16 (4) An investment policy;

17 (5) Liquidity requirements for the State Treasury; and

18 (6) Qualifications, ethical standards, a conflict of interest
19 policy, and criminal background check requirements that are no less stringent
20 than the requirements of § 19-3-705 for all employees of the board or
21 Treasurer of State who handle State Treasury funds or participate in
22 decisions concerning the deposit or investment of State Treasury funds.

23 (b)(1) The board shall select the chief investment officer within the
24 Treasurer of State's office based upon nominations received from the
25 Treasurer of State.

26 (2) The chief investment officer shall:

27 (A) Be employed by the board;

28 (B) Work with and at the direction of the Treasurer of
29 State consistent with the policies and directives of the board; and

30 (C) Serve at the pleasure of the board.

31 (c) The board may hire an investment consultant to examine the
32 investment policies and investment practices for the State Treasury and make
33 recommendations to the board including without limitation recommendations
34 concerning:

35 (1) An appropriate range for asset allocation;

36 (2) A target rate of return;

1 (3) The propriety of using money managers and if desired,
2 recommendations concerning money managers; and

3 (4) Adjustments to improve investment policies, investment
4 allocations, or investment returns.

5 (d) The positions listed in subsections (b) and (c) of this section
6 shall be funded by the appropriation for the Treasurer of State.

7 (e) The board may make, amend, adopt, and enforce rules and policies
8 to regulate board procedure and execute board functions.

9
10 19-3-705. Employees – Qualifications, ethical standards, and
11 background checks.

12 (a) An employee of the State Board of Finance or Treasurer of State
13 listed in § 19-3-704(b) or (c) or who handles State Treasury funds or
14 participates in decisions or making recommendations concerning the deposit or
15 investment of State Treasury funds:

16 (1) Shall meet minimum standards of expertise and experience
17 established by the board;

18 (2) Shall not have a direct financial interest in a bank
19 depository, investment depository, or securities broker; and

20 (3) Shall file on or before January 31 with the board for the
21 preceding calendar year the written statement of financial interest required
22 by § 21-8-701(d).

23 (b)(1)(A) The Board shall obtain a state and federal criminal
24 background check to be conducted by the Identification Bureau of the
25 Department of Arkansas State Police and the Federal Bureau of Investigation
26 for:

27 (i) Each employee listed in § 19-3-704(b) or (c);
28 and

29 (ii) An employee or prospective employee of the
30 board or Treasurer of State who handles or will handle State Treasury funds
31 or participates or will participate in making decisions or recommendations
32 concerning the deposit or investment of State Treasury funds.

33 (B) The background check shall be obtained on or before:

34 (i) September 1, 2013, for an existing employee; and

35 (ii) The start of employment for a prospective
36 employee.

1 (2) The state and federal criminal background check shall
2 conform to the applicable federal standards and shall include the taking of
3 fingerprints.

4 (3) The employee or prospective employee shall sign a consent to
5 the release of information for the state and federal criminal background
6 check.

7 (4) The Treasurer of State shall be responsible for the payment
8 of any fee associated with the state and federal criminal background check.

9 (5) Upon completion of the state and federal criminal background
10 check, the Identification Bureau of the Department of Arkansas State Police
11 shall forward to the Chief Fiscal Officer of the State for review by the
12 board all releasable information obtained concerning the employee or
13 prospective employee.

14 (c) The board or Treasurer of State shall not employ an individual who
15 has:

16 (1) Been convicted of a felony or a gambling offense in a state
17 or federal court of the United States;

18 (2) Been convicted of a crime involving moral turpitude;

19 (3) Entered into a plea agreement to avoid felony prosecution;

20 (4) Been or is currently subject to an administrative order by
21 the State Bank Department or State Securities Department;

22 (5) Failed without justification to file the statement of
23 financial interest required by this section; or

24 (6) A conflict of interest that violates the board's policy
25 established under § 19-3-704.

26
27 SECTION 2. Arkansas Code Title 19, Chapter 3, Subchapter 5, is amended
28 to read as follows:

29 19-3-501. Title.

30 This subchapter shall be known and may be ~~referred to and~~ cited as the
31 "State Treasury Management Law".

32
33 19-3-502. Definitions.

34 As used in this subchapter, ~~unless the context otherwise requires:~~

35 (1) "Bank" means:

36 (A) a A state bank, ~~or~~ a national bank, or an out-of-state

1 state-chartered bank ~~which~~ that has received a certificate of authority under
2 § 23-48-1001; ~~provided that such term shall also include any; and~~

3 (B) A foreign bank organized under the laws of a territory
4 of the United States, Puerto Rico, Guam, American Samoa, or the Virgin
5 Islands, if the deposits of which the foreign bank are insured by the Federal
6 Deposit Insurance Corporation;

7 (2) "Bank depository" means a bank or savings and loan
8 association that accepts a deposit of funds from the State Treasury;

9 ~~(2)(3)~~ (3) "Capital base" means the sum of ~~its~~ a bank's capital
10 stock, surplus, and undivided profits, plus any additions and less any
11 subtractions which the commissioner may by regulation prescribe;

12 ~~(3)(4)~~ (4) "Cash Account" means the asset account in the ~~Treasurer~~
13 ~~of State~~ State Treasury consisting of all cash;

14 (A) in In the hands of the ~~State~~ Treasurer of State; and

15 (B) on On deposit in the name of the Treasurer of State in
16 a bank depository ~~banks;~~

17 ~~(4)(5)~~ (5) "Certificate of Deposit Account" means the asset account
18 in the State Treasury consisting of all, but only, certificates of deposit
19 acquired by the Treasurer of State through the State Treasury Certificate of
20 Deposit Investment Program;

21 ~~(5) "Commissioner" shall mean the Bank Commissioner;~~

22 (6) "Fund account" means a specifically named liability account
23 in the State Treasury, to which, ~~as provided by law,~~ moneys are credited upon
24 receipt ~~thereof~~ and charged upon withdrawal ~~therefrom~~ that:

25 (A) Is created or authorized by law; and

26 (B) Reflects the amount of money owed to an agency or
27 instrumentality of the State of Arkansas;

28 ~~(7) "Gross federal fund balances", "gross trust fund balances",~~
29 ~~or "gross state fund balances", with respect to a particular major group,~~
30 ~~means the aggregate total amount of the gross fund balances at any time~~
31 ~~standing to the credit of all funds of that particular group;~~

32 ~~(8) "Gross fund balance", with respect to a particular named~~
33 ~~fund, means the balance at any time standing to the credit of that fund;~~

34 ~~(9)(7)~~ (7) "Gross treasury fund balances" means the aggregate total
35 amount of the balances standing to the credit of all funds on the records of
36 the Treasurer of State;

1 ~~(10) “Home state” means:~~

2 ~~(A) With respect to a state chartered bank, the state by~~
3 ~~which the bank is chartered;~~

4 ~~(B) With respect to a national bank, the state in which~~
5 ~~the main office of the bank is located; and~~

6 ~~(C) With respect to a foreign bank, the state determined~~
7 ~~to be the home state of such foreign bank under 12 U.S.C. § 3103(e);~~

8 ~~(11) “Host state” means a state, other than the home state of a~~
9 ~~bank, in which the bank maintains, or seeks to establish and maintain a~~
10 ~~branch;~~

11 ~~(12) “Institution” and “depository” means a bank or savings and~~
12 ~~loan association as defined in subdivisions (1) and (21) of this section;~~

13 (8) "Investment depository" means a person or entity that
14 accepts money or securities from the State Treasury for investment purposes;

15 ~~(13) “Main banking office” or “main office” with respect to a~~
16 ~~bank, means the main banking office designated or provided for in the~~
17 ~~articles of incorporation of a state bank, and the main office designated or~~
18 ~~provided for in the articles of association of a national bank, at such~~
19 ~~identified location as shall have been or as hereafter may be approved by the~~
20 ~~commissioner, in the case of a state bank, or by the appropriate federal~~
21 ~~regulatory agency, in the case of a national bank;~~

22 ~~(14)~~(9) “National bank” means a national banking association
23 organized pursuant to 12 U.S.C. § 215b to carry on the business of banking
24 under Title 12, Chapter 2, of the United States Code;

25 ~~(15) “Net federal fund balances”, “net trust fund balances”, or~~
26 ~~“net state fund balances”, with respect to a particular major group, means~~
27 ~~the aggregate total amount of the gross fund balances at any time standing to~~
28 ~~the credit of all funds of that particular group, less the total amount of~~
29 ~~unredeemed warrants drawn on the Treasurer of State against all funds of the~~
30 ~~same group;~~

31 ~~(16) “Net fund balance”, with respect to a particular named~~
32 ~~fund, means its gross fund balance less the total amount of unredeemed~~
33 ~~warrants drawn on the Treasurer of State against the same fund;~~

34 ~~(17) “Net treasury fund balances” means gross treasury fund~~
35 ~~balances, less the total amount of all unredeemed warrants drawn on the~~
36 ~~Treasurer of State;~~

1 ~~(18) “Out of state bank” means a bank whose home state is any~~
2 ~~state other than Arkansas;~~

3 ~~(19) “Registered out of state bank” means an out of state bank~~
4 ~~which has a certificate of authority pursuant to the terms of § 23-48-1001 et~~
5 ~~seq.;~~

6 ~~(20)~~(10) “Safekeeping Account” means the account in the State
7 Treasury administered by the Treasurer of State for the benefit of other
8 government entities consisting of all securities received by the Treasurer of
9 State from the administrators of the several state retirement systems and
10 other trust accounts;

11 ~~(21)~~(11) “Savings and loan association” means a corporation
12 carrying on the business of a savings and loan association or a building and
13 loan association under a charter issued by this state, or any federal savings
14 association or federal savings bank ~~which~~ that is chartered under federal
15 law;

16 ~~(22)~~(12) “Securities Account” means the asset account in the
17 State Treasury consisting of all securities held by the Treasurer of State
18 through its investment of gross state fund balances;

19 (13)(A) “Securities broker” means a person or entity that:

20 (i) Buys or sells an investment for the State
21 Treasury; or

22 (ii) Receives any form of compensation or
23 remuneration in connection with the purchase or sale of an investment of
24 State Treasury funds.

25 (B) “Securities broker” includes a stock broker, a
26 securities broker, an investment adviser, and any other person or entity that
27 facilitates or helps to facilitate a transaction concerning an investment of
28 State Treasury funds;

29 ~~(23)~~(14) “State bank” means+

30 ~~(A) A corporation created pursuant to either Act 113 of~~
31 ~~the Arkansas General Assembly of 1913 or Act 179 of the Arkansas General~~
32 ~~Assembly of 1969, or pursuant to any predecessor or successor act or acts of~~
33 ~~either of the foregoing, and existing and authorized under the laws of this~~
34 ~~state on May 30, 1997, to engage in a general commercial banking business;~~
35 ~~and~~

36 ~~(B) A corporation organized under § 23-45-101 et seq., §~~

~~23-46-101 et seq., § 23-47-101 et seq., § 23-48-101 et seq., § 23-49-101 et seq., and § 23-50-101 et seq. and authorized thereunder to engage in a general commercial banking business a state bank as defined in § 23-45-102;~~

(15) "State Treasury" means all moneys, securities, and gross treasury fund balances administered by the Treasurer of State;

~~(24) "Treasurer of State" means the elected office of the Treasurer of the State of Arkansas; and~~

~~(25)~~(16) "Trust Deposit Account" means the asset account in the Treasurer of State State Treasury consisting of all, but only, certificates of deposit acquired administered by the Treasurer of State for and in behalf the benefit of the several retirement systems and other trust fund accounts;

(17) "Trust fund account" means a specifically named liability account designated by law as a trust fund in the State Treasury to which moneys are credited upon receipt and debited upon withdrawal, representing the balance owed by the State Treasury to agencies and instrumentalities of the State of Arkansas; and

(18) "Trust Investment Account" means the asset account in the State Treasury consisting of all, but only, securities administered by the Treasurer of State for the benefit of the several retirement systems and other trust fund accounts.

~~19-3-503. Composition of gross State Treasury fund balances~~ Treasury accounts.

~~Gross treasury fund balances shall consist of the Cash Account, the Securities Account, the Trust Deposit Account, the Certificate of Deposit Account, and other accounts as deemed necessary; that is, the aggregate total amount of cash in the hands of the Treasurer of State and on deposit in the name of the Treasurer of State in bank depositories plus the principal amount of all securities held in the Securities Account~~ The Treasurer of State may create and rename accounts to ensure the proper accounting and administration of the State Treasury.

19-3-504. Record and report of ~~summary~~ financial transactions.

(a)(1)(A) The State Board of Finance shall:

(i) Establish the record-keeping requirements of the Treasurer of State for the State Treasury; and

1 (ii) Require that:

2 (a) The liability accounts of the State
3 Treasury be recorded in amounts and sufficient detail to allow the
4 identification of the governmental entity to which funds are owed;

5 (b) The asset accounts of the State Treasury
6 be recorded in amounts and sufficient detail to identify the type of assets
7 owned; and

8 (c) All accounts of the State Treasury be
9 recorded using a basis of accounting approved by the board that is consistent
10 with generally accepted accounting principles.

11 (B) The record-keeping requirements under subdivision
12 (a)(1)(A) of this section:

13 (i) May exceed the requirements of this section; and

14 (ii) Shall include without limitation records
15 showing:

16 (a) The identity of each fund and category of
17 funds; and

18 (b) A comparison of:

19 (1) Liquidity requirements established
20 by the board and the State Treasury's actual liquidity; and

21 (2) The target rate of investment return
22 established by the board and the State Treasury's actual rate of investment
23 return.

24 (2)(A) ~~several funds~~ Each fund account shall be separately
25 listed ~~separately~~ on the records of the Treasurer of State under ~~their~~ its
26 ~~respective~~ major group headings, heading.

27 (B) ~~and with respect to~~ For each fund account, each group,
28 ~~and all groups~~ each major group, the records shall reflect each day:

29 ~~(A)(i)(a)~~ Summary financial transactions for the day
30 and cumulative summary financial transactions for the current fiscal year.

31 (b) ~~These~~ The summaries required by
32 subdivision (a)(2)(B)(i)(a) of this section shall include:

33 (1) a A statement of:

34 (A) Direct receipts, ~~both direct~~
35 ~~and by;~~ Transfer receipts;

36 (C) ~~a statement of disbursements,~~

1 ~~both~~ Disbursements by warrant redemption; and

2 (D) Disbursements by transfer;

3 and

4 (2) the The amount of uncollected checks
5 legally charged off;

6 ~~(B) (ii)~~ The credit balance ~~therein~~ at the close of
7 business; and

8 ~~(C) (iii)~~ The composition of gross treasury fund
9 balances.

10 ~~(2)(3)~~ Additionally, the records shall reflect in summary form
11 the total principal amount of securities held in trust in the Safekeeping
12 Account ~~for each of the several retirement systems and other trust funds or~~
13 ~~accounts.~~

14 ~~(3)(4)~~ The enumeration of requirements in this subsection ~~shall~~
15 does not be construed as a limitation of:

16 (A) Limit the items of summary financial information ~~which~~
17 that may be included in ~~any such record, nor shall this requirement be so~~
18 ~~construed as to~~ the records or reports of the Treasurer of State; or

19 (B) exclude such Exclude other primary, ~~and such~~
20 subsidiary, ~~and or~~ auxiliary records as may be required by law, ~~or as kept~~ by
21 the Treasurer of State ~~shall determine to keep~~, or as may be required of the
22 Treasurer of State by the Chief Fiscal Officer of the State in the
23 performance of the duties of the Treasurer of State ~~Treasurer's duties.~~

24 (b)(1) A daily and a monthly report ~~copy~~ of the ~~record of the summary~~
25 ~~financial transactions~~ information required by subsection (a) of this section
26 shall be:

27 (A) prepared Prepared by the Treasurer of State and ~~be~~
28 ~~available~~ delivered to the Chief Fiscal Officer of the State; ~~and~~

29 ~~(2)(B) The report copy and the record of the summary~~
30 ~~financial transactions from which it was prepared shall be open~~ Open to
31 public inspection during normal business hours.

32 (2) A report of the information required by subsection (a) of
33 this section shall be delivered to the Legislative Council and Division of
34 Legislative Audit on January 1 and July 1 each year.

35
36 19-3-505. Disposition of moneys received by Treasurer of State.

1 (a)(1) The Treasurer of State shall issue receipts to ~~the respective~~
2 depositors of moneys ~~in~~ into the State Treasury.

3 (2) On the day of ~~the receipt thereof~~ or as soon ~~thereafter~~ as
4 ~~may be done~~ practical, the moneys shall be credited to the ~~particular funds~~
5 ~~entitled thereto~~ appropriate fund as provided by law.

6 (b)(1) After credit to the ~~respective~~ appropriate funds, the moneys
7 shall be:

8 (A) ~~commingled~~ Comingled with all other moneys in the
9 ~~hands of the Treasurer of State~~ State Treasury; and

10 (B) ~~as soon as may be done after the receipt thereof, the~~
11 ~~moneys shall be deposited~~ Deposited ~~in~~ into bank depositories to the credit
12 of the account of the Treasurer of State, or invested as prescribed in this
13 subchapter.

14 (2) ~~Nothing in this~~ This subsection ~~shall be so construed as to~~
15 does not prohibit the Treasurer of State from keeping cash of the State
16 Treasury in the Treasurer of State's office in ~~such~~ reasonable amounts ~~as~~
17 ~~shall be~~ necessary for the transaction of the day-to-day business of the
18 office with persons and firms other than bank depositories.

19
20 19-3-506. Custodian of ~~various accounts~~ moneys and securities -
21 Internal controls - Annual audit.

22 (a)(1) The Treasurer of State shall:

23 (A) ~~be~~ Be custodian of all moneys, securities, and
24 certificates of deposit at any time held in the ~~Securities Account and, as~~
25 ~~custodian, shall be charged with their care. All such securities shall be~~
26 ~~recorded at cost~~ State Treasury; and

27 (B) Maintain all moneys and securities consistent with
28 generally accepted accounting principles.

29 (b)(2) ~~The Treasurer of State shall be custodian of all~~
30 ~~certificates of deposit which are at any time held in the Trust Deposit~~
31 ~~Account and, as custodian, shall be charged with their care. All certificates~~
32 ~~of deposit shall be recorded at cost and segregated under appropriate titles~~
33 ~~so as to reflect the total principal amount of the certificates at any time~~
34 ~~held for each of the several trust accounts.~~

35 (c) ~~The Treasurer of State shall be custodian of all securities at any~~
36 ~~time held in the Safekeeping Account and, as custodian, shall be charged with~~

1 ~~their safekeeping.~~ However, control of the disposition thereof shall be of
2 securities is vested at all times, in the respective administrators of the
3 several trust accounts for whom the securities are held. ~~All such securities~~
4 ~~shall be recorded at their par value and segregated under appropriate titles~~
5 ~~so as to reflect the total principal amount of securities at any time held~~
6 ~~for each of the trust accounts.~~

7 (b) To ensure the financial integrity of the State Treasury, the
8 Treasurer of State shall:

9 (1) Establish and maintain effective internal controls over
10 financial reporting and record keeping, including the monitoring of ongoing
11 activities, and comply with the Arkansas Constitution and applicable laws,
12 rules, contracts, and agreements;

13 (2) Establish and maintain effective internal controls to
14 prevent and detect fraud;

15 (3) With respect to State Treasury funds or other public funds,
16 notify the *Division of Legislative Audit* of all known fraud or suspected
17 fraud or all known or suspected illegal acts involving the management or
18 other employees of the Treasurer of State, the board, a bank depository, an
19 investment depository, or a securities broker;

20 (4) Inform the division and the Chief Fiscal Officer of the
21 State of any known material violations of the Arkansas Constitution or
22 applicable statutes, rules, contracts, or agreements;

23 (5) Prepare records and reports in accordance with guidelines
24 and timelines established by the Chief Fiscal Officer of the State to permit
25 incorporation into the state's financial statements and to permit the audit
26 of the state's financial statements and the records, reports, and financial
27 statements of the Treasurer of State in a timely manner; and

28 (6) Make all financial records and related information available
29 to the division, including the identification of significant personal or
30 financial relationships between a director, officer, or employee of a bank
31 depository, investment depository, or securities broker and an officer or
32 employee of the Treasurer of State or board.

33
34 19-3-507. Bank depositories generally.

35 (a)~~(1)~~ Subject to the conditions and limitations provided in §§ 19-3-
36 508 – 19-3-517, ~~any~~ a bank or savings and loan association ~~as outlined in §~~

1 ~~19-3-502(1) and (21)~~ may be designated as a bank depository ~~of State Treasury~~
2 ~~moneys.~~

3 ~~(2) The Treasurer of State, as custodian of such funds, shall be~~
4 ~~guided by these provisions in the handling and safeguarding of such funds any~~
5 ~~other law to the contrary notwithstanding.~~

6 (b)(1) ~~Nothing contained in §§ 19-3-508 — 19-3-517 shall be so~~
7 ~~construed as to require any institution~~ A bank or savings and loan
8 association is not required to act as a bank depository ~~of State Treasury~~
9 ~~funds.~~

10 (2) However, the acceptance of a deposit of State Treasury funds
11 ~~by any institution shall carry with it the obligation of the institution~~
12 requires a bank depository to observe ~~all of the provisions of §§ 19-3-508 -~~
13 ~~19-3-517 which are applicable to eligible depositories.~~

14
15 19-3-508. Deposits in ineligible institutions.

16 (a) The Treasurer of State ~~may~~ shall not deposit ~~any~~ State Treasury
17 funds ~~in any~~ into an institution that is not ~~considered~~ eligible to be a bank
18 depository under § 19-3-507, unless deposits in ~~such institutions~~ the
19 institution are required to be made by other law or by resolution of a state
20 board or commission duly adopted pursuant to the authority and requirement of
21 other law.

22 (b) ~~Nothing in this~~ The prohibition of subsection (a) of this section
23 ~~shall be applicable~~ does not apply to funds ~~set aside in the State Treasury~~
24 ~~and immediately payable from the State Treasury that are~~ required by ~~out-of-~~
25 ~~state~~ paying agents ~~for the specific purpose of meeting the~~ to meet debt
26 service requirements of ~~the direct general obligation bonds of the State of~~
27 ~~Arkansas outstanding at any time~~ bond obligations incurred by law.

28
29 19-3-509. Maximum amount of deposits and investments - Protection of
30 State Treasury Funds.

31 (a) The maximum amount of ~~State Treasury funds~~ moneys and securities
32 from the State Treasury held ~~in certificates of deposit of any~~ by a bank
33 depository ~~and in demand deposit accounts together~~ shall not exceed an amount
34 equal to the total amount of the capital base of ~~that~~ the bank depository.

35 (b) An investment depository and a securities broker shall provide the
36 Treasurer of State and State Board of Finance proof of:

1 (1) Securities investor protection coverage for each investment
2 of State Treasury funds; and

3 (2) Compliance with fidelity bond requirements of the United
4 States Securities and Exchange Commission.

5
6 19-3-510. Types of accounts for deposits.

7 ~~(a)(1) All State Treasury funds~~ Funds from the State Treasury
8 deposited in into a bank depository or an investment depository institutions
9 shall be credited to accounts in the name of the Treasurer of State.

10 ~~(2) All accounts which~~ Except as provided in § 19-3-512, the
11 Treasurer of State shall establish in any or all depository institutions may
12 be determined by the Treasurer of State establish accounts as either demand
13 deposit accounts, certificates of deposit, or other accounts ~~as deemed~~
14 necessary.

15 (b) The certificate of deposit account in ~~each such a bank~~ a bank depository
16 or an investment depository shall consist of ~~state funds as~~ from the State
17 Treasury deposited under the State Treasury Certificate of Deposit Investment
18 Program and trust funds deposited for various trust funds.

19 (c) The demand deposit account in ~~each such a bank~~ a bank depository or an
20 investment depository shall ~~be of such amount subject to § 19-3-509 as~~
21 ~~determined by the Treasurer of State and shall~~ consist of:

22 (1) All federal funds, as described in § 19-7-101 et seq.;

23 (2) Trust funds to the extent that ~~such the trust~~ the trust funds are not
24 invested in securities and certificates of deposit; and

25 (3) State funds to the extent that ~~such the state~~ the state funds are not
26 invested in securities.

27 ~~No treasury funds may~~ Funds from the State Treasury shall not be
28 deposited in any into a bank depository or an investment depository except
29 under the terms of a written agreement entered into between the Treasurer of
30 State and the bank depository or investment depository, ~~the essential~~
31 ~~elements of which agreement shall be conformable to, or not inconsistent that~~
32 complies with, applicable state and federal law, rules, and regulations
33 ~~promulgated thereunder.~~

34
35 19-3-511. Term of deposit – Interest.

36 ~~(a)(1) Interest~~ At a meeting called and held before the start of the

1 term of a certificate of deposit, the State Board of Finance shall determine
2 the interest rate to be paid on certificates of deposit invested through the
3 State Treasury Certificate of Deposit Investment Program ~~shall be at a rate~~
4 ~~fixed by the State Board of Finance at a meeting duly called and held~~
5 ~~preceding the beginning date of the term of the certificate of deposit.~~

6 ~~(2)(b)~~ The Treasurer of State and each bank depository shall enter
7 into an agreement establishing the term or renewal term of the certificate of
8 deposit ~~which shall be set by the State Board of Finance.~~

9 ~~(3)(c)(1)~~ Notice of the date and time of the ~~holding of the meeting~~
10 shall be given by the ~~secretary of the board with publication of a notice of~~
11 ~~the meeting~~ Secretary of the State Board of Finance and published in a
12 newspaper of statewide circulation ~~not less than~~ at least five (5) days ~~nor~~
13 but no more than fifteen (15) days ~~in advance of~~ before the meeting ~~date.~~

14 ~~(A)(2)~~ At each ~~such~~ the meeting, ~~any~~ a person desiring to be
15 heard shall be given the opportunity to express his or her views on any
16 matter under consideration by the board.

17 ~~(B)(3)~~ ~~The board shall give due consideration to all such views,~~
18 ~~together with such other and additional views as may be expressed by~~ After
19 considering all views expressed and the views of its the board members, ~~which~~
20 ~~it deems to be relevant. Thereafter, at the meeting, the board shall fix the~~
21 rate of interest to be used by the Treasurer of State and paid by bank
22 depositories during the next term ~~and direct its secretary to certify the~~
23 ~~amount thereof to the Treasurer of State.~~

24
25 19-3-512. ~~Estimate of deposits not needed for operations and investment~~
26 of funds not needed for immediate cash requirements.

27 ~~(a)(1)~~ ~~The Treasurer of State~~ No less than quarterly, the State Board
28 of Finance in conjunction with the Chief Fiscal Officer of the State, shall
29 determine ~~what~~ the amount of ~~state funds~~ from the State Treasury will be
30 available ~~in the next period that may be placed by the State Board of Finance~~
31 ~~into~~ for deposit by the Treasurer of State into the State Treasury
32 Certificate of Deposit Investment Program ~~as provided in § 19-3-519 during~~
33 ~~the next period. Interest shall be paid on these deposits as provided in §~~
34 ~~19-3-511.~~

35 (2) The board shall direct the investment of all moneys that
36 exceed the cash requirements needed to satisfy outstanding warrants and other

1 liquid obligations for the succeeding quarter.

2 (b)(1) At least ten (10) days before making the determination required
3 by subsection (a) of this section and after reviewing current holdings in the
4 State Treasury and all available revenue forecasts, appropriations,
5 expenditure budgets, year-to-date expenditure reports, prior year expenditure
6 trends, and any other pertinent information, the Chief Fiscal Officer of the
7 State shall advise the board of the estimated amount of cash reserves
8 expected to be needed by the Treasurer of State to purchase warrants in the
9 next fiscal quarter.

10 (2) The board shall direct the Treasurer of State:

11 (A) To purchase warrants in the next fiscal quarter; and

12 (B) In the type and amount for deposit and investment of
13 all holdings exceeding cash reserves for warrant purposes.

14 (c) The Treasurer of State, acting ministerially, shall have the
15 authority to take such action and do such may do all things as shall be
16 necessary to accomplish the expressed purposes and intent of this section.

17
18 19-3-513. Interest income on deposits.

19 (a) Interest from time to time due by ~~each~~ a bank depository on Cash
20 Account demand deposit accounts and Certificate of Deposit Account
21 certificates of deposit shall be paid and transmitted on each due date to the
22 Treasurer of State and in the manner authorized and prescribed as directed by
23 the Treasurer of State.

24 (b) ~~All such~~ The interest income shall be classified as trust fund
25 income, and the net amount ~~thereof~~ of the interest income shall be credited
26 to the Securities Reserve Fund.

27
28 19-3-514. List of deposits.

29 (a)(1) On or before the tenth day following the end of each calendar
30 quarter ~~year~~, the Treasurer of State shall prepare a list of all bank
31 depositories and.

32 (2) For each bank depository, the list shall include the amounts
33 of State Treasury funds on time deposit and on demand deposit in each such
34 depository on the last day of business of the calendar quarter year.

35 (b) ~~This~~ The list shall be maintained for public inspection at the
36 Treasurer of State's office.

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19-3-515. Charges on deposits.

(a)(1) ~~The Treasurer of State, acting ministerially, shall have the authority to enter into an agreement with any financial institution handling state funds~~ may contract with a bank depository or investment depository to pay processing fees for handling such funds of the State Treasury if it is deemed to be in the best interest of the State of Arkansas.

(2) The processing fees shall be paid by state warrant from appropriations to the Treasurer of State.

(b) ~~In the absence of such an agreement, no depository of State Treasury funds~~ Unless authorized by its contract with the Treasurer of State, a bank depository or investment depository shall not make any charge for the handling of funds, and any claim based upon any such charge or purported charge shall be void of the State Treasury.

(c) A bank depository or investment depository shall not use compensating deposit balances to offset processing fees.

(d) A claim for a charge or processing fee in violation of this section is void.

19-3-516. Discontinuance as bank depository.

(a) ~~Any~~ A bank depository which shall refuse that refuses to cash upon presentation by the payee within thirty (30) days of issuance a any state warrant of five hundred dollars (\$500) or less which is drawn on upon the State Treasury or any a bank check of five hundred dollars (\$500) or less which has been issued by a state agency when the check or warrant has been presented for payment within thirty (30) days of the date of issuance by the payee named therein shall:

(1) ~~immediately be~~ Be discontinued immediately as a bank depository of State Treasury funds; and,

(2) ~~for~~ For a period of time ~~to be~~ determined by the State Board of Finance, ~~shall~~ be ineligible for reinstatement as ~~such~~ a bank depository.

(b) ~~Nothing in this~~ This section ~~shall be so construed as to deprive any such~~ does not prevent a bank depository from:

(1) ~~taking such~~ Taking a reasonable time ~~as it may require~~ to make proper identification of the persons and signatures of payees named in ~~such~~ warrants or checks; or

1 (2) ~~to indemnify any such depository~~ Seeking indemnification for
2 any losses which it may sustain by reason of its from cashing any of the
3 warrants or checks for persons other than the payees named ~~therein~~ in the
4 warrants or checks.

5
6 19-3-517. Effect of proper deposits.

7 The deposit of State Treasury funds in accordance with ~~the provisions~~
8 ~~of §§ 19-3-507 – 19-3-516 shall relieve~~ relieves the Treasurer of State and
9 the surety on the Treasurer of State's bond of ~~any and all~~ liability for the
10 loss of ~~such~~ the funds by reason of the default or insolvency of ~~any a~~ a bank
11 depository ~~of State Treasury funds.~~

12
13 19-3-518. Investments in securities and bank certificates of deposit.

14 (a)(1) ~~TRUST FUNDS.— In addition to securities of the character~~
15 ~~eligible under the laws of this state for the investment of the several trust~~
16 ~~funds on the records of the Treasurer of State, certificates~~ Trust fund
17 accounts in the State Treasury may be invested in:

18 (A) Certificates of deposit of banks and savings and loan
19 associations; and

20 (B) ~~shall be~~ Securities eligible for the investment of
21 ~~such funds~~ under other law.

22 (2)(A) The ~~administrators~~ administrator of ~~each state retirement~~
23 ~~system and of other~~ a trust fund accounts account shall review, from time to
24 time, ~~review~~ the flow of moneys through the trust fund account in the State
25 Treasury ~~over which that administrator shall have control, all for the~~
26 ~~purpose of estimating the amounts of such moneys as may be~~ to determine the
27 estimated surplus moneys in the trust fund account that exceed ~~to~~ the
28 immediate requirements of ~~such the trust fund~~ account as provided for by law.

29 (B)(i)(a) After taking into consideration ~~any proposal for~~
30 ~~the immediate investment of such funds in securities, and to the extent of~~
31 the amount of ~~any the~~ estimated surplus which shall exist moneys under
32 subdivision (a)(2)(A) of this section, the administrator shall certify to the
33 Treasurer of State the amount ~~thereof~~ of surplus moneys and the period of
34 time during which ~~such amount shall~~ the surplus moneys are not be required.

35 (b) The Treasurer of State shall invest the
36 amount ~~so~~ certified in certificates of deposit issued by eligible banks and

1 savings and loan associations.

2 (c) If the Treasurer of State is unable to
3 place the certified amount in certificates of deposit, then the remainder may
4 be placed in securities with the administrator's approval.

5 (ii)(a) Moneys required for ~~each such a~~ purchase
6 under subdivision (a)(2)(B) of this section shall be withdrawn from the Cash
7 Account and paid ~~over~~ to the ~~institution~~ bank depository issuing the
8 certificate, of deposit or the investment depository selling the securities.

9 (b)(1) ~~and the~~ The principal amount of the
10 certificate of deposit shall be ~~credited~~ debited to the Trust Deposit
11 Account.

12 (2) The principal amount of a security
13 shall be debited to the Trust Investment Account.

14 (iii) The certificates of deposit shall be secured
15 ~~to such extent and in such manner as may be provided by law and otherwise as~~
16 the Treasurer of State ~~shall require~~ in accordance with the collateralization
17 and investment policies of the State Board of Finance.

18 (iv)(a) Interest on ~~such~~ bank certificates of
19 deposit shall be paid at ~~such~~ competitive rates ~~as the Treasurer of State~~
20 ~~shall prescribe~~ according to the investment policy established by the State
21 Board of Finance.

22 (b) All interest income derived from ~~the~~
23 certificates of deposit or ~~other investments~~ securities shall be credited as
24 trust fund income to the ~~account of the~~ trust fund used ~~in making such~~ to
25 purchase a certificate of deposit or security.

26 (3)(A) ~~At all times, the~~ The Securities Reserve Fund shall be
27 maintained on demand deposit in depository banks, ~~and nothing contained in.~~

28 (B) ~~this~~ This subsection ~~shall be applicable to such fund~~
29 does not apply to the Securities Reserve Fund.

30 (b)(1)(A) ~~STATE FUNDS.~~ The State Board of Finance may direct that a
31 portion of state funds in the State Treasury be invested in certificates of
32 deposit in the State Treasury Certificate of Deposit Investment Program as
33 provided in § 19-3-519.

34 (B) The remaining portion of state funds in the State
35 Treasury may be invested in:

36 (i) ~~eertificates~~ Certificates of deposit, ~~in;~~

1 (ii) ~~securities as outlined in § 23-47-401 without~~
2 ~~limitation~~ Direct obligations of the United States Government;

3 (iii) Obligations of agencies and instrumentalities
4 created and authorized by act of the United States Congress to issue
5 securities or evidences of indebtedness, regardless of guarantee of repayment
6 by the United States Government;

7 (iv) Obligations in which the principal and interest
8 are fully guaranteed by:

9 (a) The United States Government; or

10 (b) An agency or an instrumentality created by
11 an act of the United States Congress and authorized by the United States
12 Congress to issue the guarantee;

13 (v) Obligations in which the principal and interest
14 are fully secured, insured, or covered by a commitments or agreement to
15 purchase the obligation by:

16 (a) The United States Government; or

17 (b) An agency or instrumentality created by an
18 act of the United States Congress and authorized by the United States
19 Congress to issue the commitment or agreement;

20 (vi) General obligations of the states of the United
21 States and of the political subdivisions, municipalities, commonwealths,
22 territories, or insular possessions of the states of the United States;

23 (vii) Obligations issued by the State Board of
24 Education under authority of the Arkansas Constitution or applicable
25 statutes;

26 (viii) Warrants of a political subdivision or
27 municipality of the State of Arkansas having maturities not exceeding one (1)
28 year;

29 (ix) Prerefunded municipal bonds, if the principal
30 and interest of the municipal bonds are fully secured by the principal and
31 interest of a direct obligation of the United States Government;

32 (x) The sale of federal funds with a maturity of not
33 more than one (1) business day;

34 (xi) Demand, savings, or time deposits or accounts
35 of a depository institution chartered by the United States, a state of the
36 United States, or the District of Columbia if funds invested in the demand,

1 savings, or time deposits or accounts are fully insured by a federal deposit
2 insurance agency;

3 (xii) Repurchase agreements that are fully
4 collateralized by direct obligations of the United States Government or the
5 general obligations of a state or political subdivision of a state of the
6 United States if the repurchase agreement provides for taking delivery of the
7 collateral directly or through an authorized custodian;

8 (xiii) A securities or other interest in an open-end
9 type investment company or investment trust registered under the Investment
10 Company Act of 1940 and that is defined as a "money market fund" under 17
11 C.F.R. § 270.2a-7 if:

12 (a) The portfolio of the investment company or
13 investment trust is limited principally to United States Government
14 obligations and to repurchase agreements fully collateralized by United
15 States Government obligations; and

16 (b) The investment company or investment trust
17 takes delivery of the collateral either directly or through an authorized
18 custodian; or

19 (xiv) As approved by the guidelines established by
20 the State Treasury investment policy approved by the State Board of Finance:

21 (a) A corporate obligation with an investment
22 grade rating of BBB or higher as indicated by at least two (2) nationally
23 recognized statistical rating organizations; or

24 ~~(b) as approved in the Treasurer of State's~~
25 ~~investment policy, and in obligations~~ Obligations of corporations organized
26 ~~under the provisions of the Arkansas Development Finance Corporation Act, §~~
27 ~~15-4-901 et seq., and issued under the Arkansas Development Finance~~
28 ~~Corporation Act, § 15-4-901 et seq., to the extent of forty-eight million~~
29 ~~dollars (\$48,000,000), according to the guidelines established in the~~
30 ~~Treasurer of State's investment policy as approved by the board.~~

31 ~~(2)(A)(i) Moneys required for each such a purchase under~~
32 ~~subdivision (b)(1) of this section shall be withdrawn from the Cash Account~~
33 ~~and paid over to the seller of the securities.~~

34 ~~(ii) and the~~ The cost of the securities shall be
35 ~~credited~~ debited to the Securities Account.

36 (B) The proceeds of the sale or redemption of securities

1 ~~at any time~~ withdrawn from the Securities Account shall be ~~deposited~~ debited
2 in the Cash Account in the State Treasury.

3 (C)(i) ~~In~~ For all purchases, sales, and redemptions of
4 securities, ~~as provided in~~ under this subsection, discounts and premiums
5 shall be credited or charged, ~~as the case may be~~ appropriate, to the
6 Securities Reserve Fund.

7 (ii) ~~All such discounts~~ Discounts and premiums ~~which~~
8 that are increments and all interest received on securities ~~at any time~~ held
9 in the Securities Account shall be classified as trust fund income and
10 credited to the Securities Reserve Fund by the Treasurer of State.

11 (3)(A) All purchases and sales of securities by the Treasurer of
12 State ~~may be in the open market~~ shall be made upon receipt of not less than
13 ~~two (2)~~ three (3) quotation bids, from securities brokers:

14 (i) Specifically approved by the State Board of
15 Finance; or

16 (ii) ~~as defined in the Treasurer of State's~~
17 ~~investment policy as approved~~ Meeting criteria established by the ~~board~~ State
18 Board of Finance.

19 (B)(i) However, the ~~board~~ State Board of Finance may subscribe
20 for ~~any such~~ obligations ~~which are~~ offered by the United States Department of
21 the Treasury.

22 (ii) ~~Any such obligations at any time~~ An obligation
23 offered by the United States Department of the Treasury held in the State
24 Treasury by the board may be exchanged for ~~other such obligations in~~
25 ~~instances where~~ another obligation offered by the United States Department of
26 the Treasury if an exchange privilege has been extended by the United States
27 Department of the Treasury.

28 (4)(A) ~~All obligations of any~~ An obligation of a corporation
29 organized under the Arkansas Development Finance Corporation Act, § 15-4-901
30 et seq., purchased as authorized in this section shall:

31 (i) ~~bear~~ Bear a maturity date not to exceed ten (10)
32 years; and

33 (ii) ~~shall be~~ Be purchased at par pursuant to an
34 annual commitment to the corporation under ~~such~~ conditions ~~as may be~~
35 ~~determined~~ established by the ~~board~~ State Board of Finance.

36 (B)(i) ~~Prior to the purchase of any obligations by the~~

1 ~~corporation, there shall be furnished to the board, without cost to it,~~
2 Before an obligation described in subdivision (b)(4)(A) of this section is
3 purchased, the opinion of legal counsel acceptable to the ~~board~~ State Board
4 of Finance shall be furnished without charge to the State Board of Finance.

5 (ii) The opinion shall:

6 (a) approving Approve the validity of the
7 issue;

8 (b) and reciting Recite that, in the opinion
9 of ~~the~~ counsel, the obligations to be purchased by the ~~board~~ State Board of
10 Finance are the duly authorized, legally binding obligations of the issuing
11 corporation; and

12 (c) specifying Specify the security, ~~therefor~~
13 ~~as to which any lien, or pledge has been created~~ is perfected collateral for
14 the obligation.

15 (5)(A) All or any part of the bonds of local industrial
16 development corporations, authorized and issued under ~~the provisions of the~~
17 Arkansas Industrial Development Act, § 15-4-101 et seq., and all or any part
18 of the bonds of municipalities and counties, authorized and issued under ~~the~~
19 ~~provisions of~~ the Municipalities and Counties Industrial Development Revenue
20 Bond Law, § 14-164-201 et seq., and all or any part of the obligations of
21 development finance corporations authorized and issued under ~~the provisions~~
22 ~~of~~ the Arkansas Development Finance Corporation Act, § 15-4-901 et seq., at
23 any time held in the Securities Account in the State Treasury, may be sold by
24 ~~the board~~ at public sale or at private sale, as the ~~board~~ State Board of
25 Finance shall determine.

26 (B) However, in ~~any~~ a private sale, the sales price of the
27 bonds or obligations shall not be less than the amount paid ~~therefor~~ for the
28 bonds or obligations.

29 (6) The ~~board~~ State Board of Finance ~~provides~~ shall provide
30 ministerial authority to the Treasurer of State to take whatever action
31 becomes necessary in regard to securities held in the Securities Account to
32 provide the requisite amount of cash necessary in demand deposit accounts to
33 carry out the business of the state or to correct any miscalculations ~~which~~
34 that have arisen.

35 (7)(A) ~~No~~ A purchase, exchange, or receipt of ~~obligations~~ an
36 obligation by the ~~board~~ State Treasury shall ~~ever be construed as a~~

1 ~~cancellation of the obligations so~~ not cancel the obligation purchased,
2 exchanged, or received.

3 (B) ~~All such obligations~~ The obligation shall be held in
4 trust for the use and benefit of the ~~various state funds~~ fund used ~~in such~~
5 ~~purchases to purchase the obligation, this trust being~~ subject only to the
6 right of the ~~board~~ State Board of Finance to sell or exchange ~~such~~
7 ~~obligations whenever, in its opinion, the obligation if~~ the best interest of
8 the state ~~may be~~ is served.

9 (8)(A) The ~~board~~ State Board of Finance shall meet ~~as called at~~ at
10 fiscal quarters to evaluate, discuss, and review the advice of the Chief
11 Fiscal Officer of the State under § 19-3-512, and authorize the deposit and
12 investment of State Treasury funds to be made during the period before the
13 next meeting of the ~~board~~ State Board of Finance.

14 (B) The deposit and investment of ~~such~~ funds and the
15 purchase and sale of permissible securities may be made at any time it is
16 advantageous to the State Treasury by the Treasurer of State under the
17 guidelines in the ~~Treasurer of State's~~ State Treasury investment policy
18 ~~reviewed and approved~~ established by the ~~board~~ State Board of Finance.

19 (9)(A) In order to increase investment income with minimal risk,
20 the Treasurer of State may loan securities held in the Securities Account,
21 ~~but only~~ if, at the time the loan is executed, at least one hundred two
22 percent (102%) of the full market value of the security loaned is
23 collateralized by cash or securities guaranteed by the United States
24 Government or an agency of the United States Government.

25 (B) At all times during the term of the loan, the
26 collateral shall ~~be equal to not less than~~ or exceed one hundred percent
27 (100%) of the full market value ~~calculated on the total value~~ of all
28 securities on loan.

29 (C) For purposes of this subdivision (b)(9) of this
30 ~~section,~~ the full market value of the collateral shall be determined on a
31 daily basis.

32 (c)(1) ~~FEDERAL FUNDS.~~ The ~~board~~ State Board of Finance may invest
33 federal funds, as described in § 19-7-101 et seq., the same as state funds
34 that are authorized by subsection (b) of this section.

35 (2) The proceeds of ~~the investments of~~ investing federal funds
36 shall be used for the same purpose ~~as that~~ authorized for other moneys

1 accruing to the benefit of the Securities Reserve Fund ~~as authorized by~~ under
2 § 19-3-521.

3 (d)(1) ~~INTEREST-BEARING FUNDS.~~ The ~~board~~ State Board of Finance may
4 invest funds deposited ~~in~~ into the State Treasury by state agencies, boards,
5 and commissions that were previously held as cash funds in ~~financial~~
6 ~~institutions other than the State Treasury in order~~ a bank depository or
7 investment depository to enhance investment opportunities and earnings.

8 (2) The ~~board~~ State Board of Finance may invest interest-bearing
9 funds the same as state funds ~~are authorized in~~ under subsection (b) of this
10 section.

11 (3) The interest earned on ~~these~~ investments under this
12 subsection shall be credited ~~back~~ under subdivision (d)(4) of this section to
13 the interest-bearing fund.

14 (4) On the first day of business of the month, the Treasurer of
15 State shall:

16 (A) ~~compute~~ Compute the average daily balance of ~~this~~ the
17 interest-bearing fund, including all internal accounts and funds, during the
18 preceding month; and

19 (B) ~~shall transfer on that day~~ Transfer to the
20 participants of the fund interest on the average daily balance ~~to be~~ computed
21 at a rate equivalent to the average rate of interest earned on all State
22 Treasury funds invested in fixed-income securities and in money market
23 accounts during the preceding month less ~~its~~ the proportionate share of any
24 assessments for the expenses of administration.

25

26 19-3-519. State Treasury Certificate of Deposit Investment Program.

27 (a) ~~From time to time~~ The policy of the State Board of Finance ~~sets to~~
28 set aside an amount to be invested in ~~one hundred eighty day or longer~~
29 certificates of deposit. ~~Hereinafter, this will be referred to~~ that mature no
30 sooner than one hundred eighty (180) days shall be known as the "State
31 Treasury Certificate of Deposit Investment Program".

32 (b) ~~Participating~~ The following institutions ~~shall be institutions~~
33 ~~choosing to~~ may participate in the program ~~as follows:~~

34 (1) National banks ~~which~~ that have their principal ~~office~~
35 offices in Arkansas or are legally operating branches in Arkansas;

36 (2) Banks chartered in the State of Arkansas;

1 (3) Banks chartered by other states ~~which~~ that are legally
2 operating branches in Arkansas;

3 (4) Savings and loan associations or savings banks chartered by
4 the United States ~~which~~ that have their principal ~~office~~ offices in Arkansas
5 or are legally operating branches in Arkansas; and

6 (5) Savings and loan associations chartered by the State of
7 Arkansas.

8 (c)(1) Institutions ~~which~~ that have their principal ~~office~~ offices in
9 Arkansas shall designate a representative at the principal office responsible
10 for transacting business with the Treasurer of State.

11 (2) Institutions ~~which~~ that do not have their principal ~~office~~
12 offices in Arkansas shall designate a principal branch and a representative
13 at the principal branch responsible for transacting business with the
14 Treasurer of State.

15 (d)(1) Semiannually, or as required by the board, each participating
16 institution shall compute and report to the Treasurer of State its Arkansas
17 deposits, Arkansas loans, the ~~loan-to-deposit~~ loan-to-deposit ratio for
18 Arkansas loans and Arkansas deposits, and its capital base.

19 (2) Each participating institution shall report to the board
20 information required by ~~them~~ the board to determine the institution's
21 suitability ~~for State Treasury deposits~~ as a bank depository.

22 (e) As used in this section:

23 (1) "Arkansas loans" means the sum of:

24 (A) Loans made to individual borrowers residing in the
25 State of Arkansas;

26 (B) Loans made to corporations or other legal entities
27 doing business in Arkansas for which an address within Arkansas is used for
28 transacting business;

29 (C) Bonds issued or loans made to the State of Arkansas or
30 its instrumentalities;

31 (D) Bonds issued or loans made to political subdivisions
32 of the State of Arkansas; and

33 (E) Bonds issued by Arkansas corporations; ~~and~~ and

34 (2) "Arkansas deposits" means deposits received by banks and
35 credited to accounts whose accountholders have Arkansas as their principal
36 place of business or permanent home addresses ~~in Arkansas~~.

1 (f) The board shall promulgate ~~regulations~~ rules establishing the
2 minimum capital requirements for ~~any institution wishing to receive deposits~~
3 ~~from the Treasurer of State~~ a bank depository.

4 (g)~~(1)~~ The Treasurer of State shall establish procedures to be
5 reviewed and approved by the board establishing guidelines for the deposit
6 and allocation of certificates of deposit among participating institutions.

7 ~~(2)~~ ~~The deposit of funds shall be allocated between~~
8 ~~participating institutions such that institutions enumerated in subdivisions~~
9 ~~(b)(1) (3) of this section make up one (1) group, hereinafter referred to as~~
10 ~~the bank group, and institutions enumerated in subdivisions (b)(4) and (5) of~~
11 ~~this section make up the other group, hereinafter referred to as the savings~~
12 ~~and loan group.~~

13 ~~(3)~~ ~~Funds shall be allocated between the two (2) groups in a~~
14 ~~proportion to be set as needed by the board for an equitable allocation using~~
15 ~~each group's aggregate Arkansas deposits as a base for the allocation.~~

16 ~~(4)~~ ~~The allocation among individual participating institutions~~
17 ~~shall be prorated on the basis of their Arkansas loans and Arkansas deposits~~
18 ~~in each respective group provided that the board may promulgate regulations~~
19 ~~establishing a threshold loan to deposit ratio preference.~~

20 ~~(5)~~ ~~In the event that institutions in the savings and loan group~~
21 ~~do not accept for investment all of the pro rata part of these funds, then~~
22 ~~the excess shall be offered pro rata to institutions in the bank group.~~
23 ~~Conversely, if institutions in the bank group do not accept all of their pro~~
24 ~~rata share of the funds, then the excess shall be offered pro rata to the~~
25 ~~savings and loan group.~~

26 ~~(6)~~ ~~To the extent that funds cannot be placed with any~~
27 ~~institution in either group, these funds may be invested as otherwise~~
28 ~~authorized by § 19-3-518.~~

29 (h)(1) Interest on funds invested under this section shall be paid by
30 participating institutions at ~~such~~ rates as established by the board ~~shall,~~
31 ~~from time to time, prescribe.~~

32 (2) ~~However, these~~ The rates shall not exceed the maximum rate,
33 if any, that banks are permitted to pay on time certificates of deposit for
34 the same period of time by regulations of the Federal Reserve System or the
35 Federal Deposit Insurance Corporation.

36 (i)(1) Moneys required for ~~each such~~ a purchase under this section

1 shall be withdrawn from the Cash Account and paid ~~over~~ to the issuer of the
2 certificate of deposit, ~~and~~.

3 (2) the The principal amount of the certificate of deposit shall
4 be credited to the Certificate of Deposit Account.

5 (j) The certificates of deposit shall be secured ~~to such extent and in~~
6 ~~such manner as may be provided by law and otherwise as the Treasurer of State~~
7 ~~may require~~ as required by the board.

8
9 19-3-520. Minimum balance to be maintained.

10 Since it is the intent of the General Assembly of the State of Arkansas
11 that the ~~Treasurer of State~~ State Treasury have sufficient cash available at
12 all times to redeem ~~any and~~ all state warrants presented for payment, the
13 State Board of Finance ~~is authorized and directed to~~ shall immediately sell
14 securities in the manner prescribed in § 19-3-518(b) ~~whenever~~ when the cash
15 balance maintained on demand deposit in bank depositories falls below the
16 amount necessary to meet operating requirements, excluding trust funds.

17
18 19-3-521. Securities Reserve Fund.

19 (a)(1) In addition to the ~~several~~ purposes for which the Securities
20 Reserve Fund may be used, ~~as provided in~~ under this subchapter, the ~~fund~~
21 Securities Reserve Fund shall be used to absorb any losses in:

22 (A) ~~Relation to securities at any time~~ Securities held in
23 the Securities Account in the State Treasury; and

24 (B) The Treasurer of State's account in bank
25 depositories~~+~~.

26 (2)(A) The balance in the Securities Reserve Fund shall always
27 be available ~~for such purposes~~ to absorb the losses stated in subdivision
28 (a)(1) of this section.

29 (B) However, moneys in the Securities Reserve Fund in
30 excess of one hundred thousand dollars (\$100,000) shall be available at all
31 times to the Chief Fiscal Officer of the State for transfer to the Budget
32 Stabilization Trust Fund, there to be used as provided by law.

33 (b)(1) If ~~any~~ a loss is sustained in relation to securities held at
34 any time in the Securities Account or in the Treasurer of State's account in
35 any bank depository and the credit balance in the Securities Reserve Fund is
36 insufficient to absorb the loss, the Chief Fiscal Officer of the State shall

1 transfer moneys from the Budget Stabilization Trust Fund to the Securities
2 Reserve Fund of an amount that, when added to the credit balance in the
3 Securities Reserve Fund, equals the amount of ~~any~~ the loss.

4 (2) It is the ~~explicit~~ intent of the General Assembly that ~~no~~ a
5 loss shall not be sustained by ~~any~~ an account, ~~the funds of which were used~~
6 ~~in making such investments and deposits~~ to make an investment or deposit.

7 (c)(1) On a quarterly basis, interest earned on federal funds received
8 under the State and Local Fiscal Assistance Act of 1972, 31 U.S.C. § 6701 et
9 seq., shall be transferred at the direction of the Chief Fiscal Officer of
10 the State from the Securities Reserve Fund to the federal funds established
11 for the purpose of holding these moneys in trust.

12 (2) Interest to be transferred shall be a pro rata share of
13 total earned interest based on the proportion of the average daily balances
14 of the total federal funds established for the purpose of holding the State
15 and Local Fiscal Assistance Act of 1972, 31 U.S.C. § 6701 et seq., moneys in
16 trust to the average daily balances of all ~~State Treasury~~ investments of the
17 State Treasury.

18
19 19-3-522. Servicing state debt.

20 (a) Unless otherwise specifically provided by law, the Secretary of
21 the State Board of Finance shall be disbursing officer of appropriations made
22 for meeting the debt service requirements of the direct general obligation
23 bonds of this state at any time outstanding.

24 (b) ~~The term~~ As used in this section, "debt service requirements", ~~as~~
25 ~~used in this section,~~ means the maturing principal of, interest on, and
26 paying agents' fees in connection with the payment of the bonds.

27 (c) The secretary ~~shall~~, without fail, shall cause notice of the call
28 to be published not less than thirty (30) days before the first date upon
29 which such bonds may be called, with publication to be by one (1) insertion
30 in a newspaper published in each of the cities of Little Rock, Arkansas; St.
31 Louis, Missouri; and in a financial newspaper published in the Borough of
32 Manhattan, City of New York, State of New York.

33
34 SECTION 3. Arkansas Code § 19-3-604(a), concerning the administration
35 of the State Treasury Money Trust Management Fund, is amended to read as
36 follows:

1 (a) ~~The Treasurer of State shall establish regulations in the form of~~
2 ~~an investment policy to be approved by the State Board of Finance to carry~~
3 ~~out the provisions of this section to invest State Treasury Money Trust~~
4 ~~Management Fund moneys and all other policies and procedures established by~~
5 ~~the State Board of Finance under § 19-3-701 et seq. apply to the~~
6 ~~administration of this subchapter by the Treasurer of State.~~

7
8 SECTION 4. TEMPORARY LANGUAGE. DO NOT CODIFY. Grace period.

9 Upon application and for good cause the State Board of Finance may
10 allow an entity that was a bank depository or investment depository on the
11 effective date of this act until January 1, 2014, to comply with:

12 (1) An eligibility requirement established after the effective
13 date of this act; or

14 (2) A requirement of § 19-3-501 et seq. established by this act.

15
16 SECTION 5. Arkansas Code § 19-3-101 is repealed.

17 ~~19-3-101. State Board of Finance.~~

18 ~~(a) There is created and established at the seat of government of this~~
19 ~~state a State Board of Finance. The Governor, the Treasurer of State, the~~
20 ~~Auditor of State, the Bank Commissioner, and the Director of the Department~~
21 ~~of Finance and Administration shall constitute the members. The Governor~~
22 ~~shall be chair of the board, and the Treasurer of State shall be secretary of~~
23 ~~the board and its executive officer and disbursing agent.~~

24 ~~(b)(1) The board shall have and be subject to all functions, powers,~~
25 ~~and duties as by law are conferred and imposed upon it.~~

26 ~~(2) For the purpose of regulating its own procedure and carrying~~
27 ~~out its functions, the board shall have the power, from time to time, to~~
28 ~~make, amend, and enforce all necessary or desirable rules or regulations not~~
29 ~~inconsistent with law.~~

30 ~~(c)(1) Meetings of the board shall be held upon the call of the~~
31 ~~Governor, or by any three (3) or more members on advance notice to each~~
32 ~~member, at such place in each instance as may suit the board's convenience.~~

33 ~~(2) All meetings shall be open to the public, and complete~~
34 ~~records of the proceedings thereof shall be kept.~~

35 ~~(3) A quorum for the transaction of business at any meeting~~
36 ~~shall consist of not less than three (3) members, and the affirmative vote of~~

1 ~~such number shall be requisite for the adoption of any motion or resolution.~~

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/s/Rapert

APPROVED: 04/11/2013