

1 State of Arkansas
2 89th General Assembly
3 Regular Session, 2013
4

A Bill

SENATE BILL 838

5 By: Senator Rapert
6

For An Act To Be Entitled

8 AN ACT TO REGULATE STATE TREASURY MANAGEMENT
9 PRACTICES AND PROCEDURES; TO PROVIDE FOR THE PRUDENT
10 INVESTMENT AND MANAGEMENT OF STATE TREASURY FUNDS;
11 AND FOR OTHER PURPOSES.
12
13

Subtitle

14 TO REGULATE STATE TREASURY MANAGEMENT
15 PRACTICES AND PROCEDURES; AND TO PROVIDE
16 FOR THE PRUDENT INVESTMENT AND MANAGEMENT
17 OF STATE TREASURY FUNDS.
18
19
20

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

23 SECTION 1. Arkansas Code Title 19, Chapter 3, is amended to add an
24 additional subchapter to read as follows:

25 Subchapter 7 – State Board of Finance

26 19-3-701. State Board of Finance – Creation – Members.

27 (a) The State Board of Finance is created.

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

29 (1) The Governor;

30 (2) The Treasurer of State;

31 (3) The Auditor of State;

32 (4) The Bank Commissioner;

33 (5) The Director of the Department of Finance and
34 Administration;

35 (6) The Securities Commissioner;

36 (7) One (1) person with knowledge and experience in commercial



1 banking;

2 (8) One (1) person who:

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

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

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

8 (A) Is licensed in Arkansas; and

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

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

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

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

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

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

23 (A) Board; or

24 (B) Treasurer of State;

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

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

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

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

35 (2) A member listed in subdivisions (b)(9) and (10) of this
36 section shall be appointed and may be reappointed by the Speaker of the House

1 of Representatives.

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

5
6 19-3-702. Definitions.

7 As used in this subchapter:

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

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

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

17
18 19-3-703. Meetings – Quorum – Staff.

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

20 (A) At least quarterly:

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

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

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

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

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

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

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

34
35 19-3-704. Powers and duties.

36 (a) In addition to any other function, power, or duty imposed by law,

1 the State Board of Finance shall establish, maintain, and enforce all
2 policies and procedures concerning the management and investment of funds in
3 the State Treasury and the State Treasury Money Trust Management Fund,
4 including without limitation:

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

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

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

10 (2) A collateralization policy;

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

15 (4) An investment policy;

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

17 (6) Qualifications, ethical standards, a conflict of interest
18 policy, and criminal background check requirements that are no less stringent
19 than the requirements of § 19-7-105 for all employees of the board or
20 Treasurer of State who handle State Treasury funds or participate in
21 decisions concerning the deposit or investment of State Treasury funds.

22 (b)(1) The board shall select the persons to be employed in the
23 following positions within the Treasurer of State's office:

24 (A) The chief fiscal officer;

25 (B) The chief investments officer;

26 (C) The manager of local government services;

27 (D) The manager of receipts processing;

28 (E) The manager of warrants processing;

29 (F) The equivalent of any position listed in subdivisions
30 (b)(1)(A)-(E) of this section; and

31 (G) Any other position designated by the board.

32 (2) The persons employed in the positions listed in subdivision
33 (b)(1) of this section shall:

34 (A) Be employed by the board;

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

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

2 (c) The board may hire an investment consultant to examine the
3 investment policies and investment practices for the State Treasury and make
4 recommendations to the board including without limitation recommendations
5 concerning:

6 (1) An appropriate range for asset allocation;

7 (2) A target rate of return;

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

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

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

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

16

17 19-3-705. Employees – Qualifications, ethical standards, and
18 background checks.

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

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

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

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

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

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

35 and

36 (ii) An employee or prospective employee of the

1 board or Treasurer of State who handles or will handle State Treasury funds
 2 or participates or will participate in making decisions or recommendations
 3 concerning the deposit or investment of State Treasury funds.

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

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

6 (ii) The start of employment for a prospective
 7 employee.

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

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

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

16 (5) Upon completion of the state and federal criminal background
 17 check, the Identification Bureau of the Department of Arkansas State Police
 18 shall forward to the Chief Fiscal Officer of the State for review by the
 19 board all releasable information obtained concerning the employee or
 20 prospective employee.

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

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

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

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

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

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

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

33
 34 SECTION 2. Arkansas Code Title 19, Chapter 3, Subchapter 5, is amended
 35 to read as follows:

36 19-3-501. Title.

1 This subchapter shall be known and may be ~~referred to and~~ cited as the
 2 “State Treasury Management Law”.

3
 4 19-3-502. Definitions.

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

6 (1) “Bank” means:

7 (A) a A state bank, or a national bank, or an out-of-state
 8 state-chartered bank which that has received a certificate of authority under
 9 § 23-48-1001; provided that such term shall also include any; and

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

14 (2) “Bank depository” means a bank or savings and loan
 15 association that accepts a deposit of funds from the State Treasury;

16 ~~(2)~~(3) “Capital base” means the sum of ~~its~~ a bank’s capital
 17 stock, surplus, and undivided profits, plus any additions and less any
 18 subtractions which the commissioner may by regulation prescribe;

19 ~~(3)~~(4) “Cash Account” means the asset account in the ~~Treasurer~~
 20 ~~of State~~ State Treasury consisting of all cash:

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

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

24 ~~(4)~~(5) “Certificate of Deposit Account” means the asset account
 25 in the State Treasury consisting of all, but only, certificates of deposit
 26 acquired by the Treasurer of State through the State Treasury Certificate of
 27 Deposit Investment Program;

28 ~~(5) “Commissioner” shall mean the Bank Commissioner;~~

29 (6) “Fund account” means a specifically named liability account
 30 in the State Treasury, to which, ~~as provided by law,~~ moneys are credited upon
 31 receipt ~~thereof~~ and charged upon withdrawal ~~therefrom~~ that:

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

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

35 ~~(7) “Gross federal fund balances”, “gross trust fund balances”,~~
 36 ~~or “gross state fund balances”, with respect to a particular major group,~~

1 ~~means the aggregate total amount of the gross fund balances at any time~~
 2 ~~standing to the credit of all funds of that particular group;~~

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

5 ~~(9)(7) "Gross treasury fund balances" means the aggregate total~~
 6 ~~amount of the balances standing to the credit of all funds on the records of~~
 7 ~~the Treasurer of State;~~

8 ~~(10) "Home state" means:~~

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

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

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

15 ~~(11) "Host state" means a state, other than the home state of a~~
 16 ~~bank, in which the bank maintains, or seeks to establish and maintain a~~
 17 ~~branch;~~

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

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

22 ~~(13) "Main banking office" or "main office" with respect to a~~
 23 ~~bank, means the main banking office designated or provided for in the~~
 24 ~~articles of incorporation of a state bank, and the main office designated or~~
 25 ~~provided for in the articles of association of a national bank, at such~~
 26 ~~identified location as shall have been or as hereafter may be approved by the~~
 27 ~~commissioner, in the case of a state bank, or by the appropriate federal~~
 28 ~~regulatory agency, in the case of a national bank;~~

29 ~~(14)(9) "National bank" means a national banking association~~
 30 ~~organized pursuant to 12 U.S.C. § 215b to carry on the business of banking~~
 31 ~~under Title 12, Chapter 2, of the United States Code;~~

32 ~~(15) "Net federal fund balances", "net trust fund balances", or~~
 33 ~~"net state fund balances", with respect to a particular major group, means~~
 34 ~~the aggregate total amount of the gross fund balances at any time standing to~~
 35 ~~the credit of all funds of that particular group, less the total amount of~~
 36 ~~unredeemed warrants drawn on the Treasurer of State against all funds of the~~

1 ~~same group;~~

2 ~~(16) "Net fund balance", with respect to a particular named~~
 3 ~~fund, means its gross fund balance less the total amount of unredeemed~~
 4 ~~warrants drawn on the Treasurer of State against the same fund;~~

5 ~~(17) "Net treasury fund balances" means gross treasury fund~~
 6 ~~balances, less the total amount of all unredeemed warrants drawn on the~~
 7 ~~Treasurer of State;~~

8 ~~(18) "Out of state bank" means a bank whose home state is any~~
 9 ~~state other than Arkansas;~~

10 ~~(19) "Registered out of state bank" means an out of state bank~~
 11 ~~which has a certificate of authority pursuant to the terms of § 23-48-1001 et~~
 12 ~~seq.;~~

13 ~~(20)~~(10) "Safekeeping Account" means the account in the State
 14 Treasury administered by the Treasurer of State for the benefit of other
 15 government entities consisting of all securities received by the Treasurer of
 16 State from the administrators of the several state retirement systems and
 17 other trust accounts;

18 ~~(21)~~(11) "Savings and loan association" means a corporation
 19 carrying on the business of a savings and loan association or a building and
 20 loan association under a charter issued by this state, or any federal savings
 21 association or federal savings bank ~~which~~ that is chartered under federal
 22 law;

23 ~~(22)~~(12) "Securities Account" means the asset account in the
 24 State Treasury consisting of all securities held by the Treasurer of State
 25 through its investment of gross state fund balances;

26 (13)(A) "Securities broker" means a person or entity that:

27 (i) Buys or sells an investment for the State
 28 Treasury; or

29 (ii) Receives any form of compensation or
 30 remuneration in connection with the purchase or sale of an investment of
 31 State Treasury funds.

32 (B) "Securities broker" includes a stock broker, a
 33 securities broker, an investment adviser, and any other person or entity that
 34 facilitates or helps to facilitate a transaction concerning an investment of
 35 State Treasury funds;

36 ~~(23)~~(14) "State bank" means+

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

7 ~~(B) A corporation organized under § 23-45-101 et seq., §~~
 8 ~~23-46-101 et seq., § 23-47-101 et seq., § 23-48-101 et seq., § 23-49-101 et~~
 9 ~~seq., and § 23-50-101 et seq. and authorized thereunder to engage in a~~
 10 ~~general commercial banking business~~ a state bank as defined in § 23-45-102;

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

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

15 ~~(25)~~(16) "Trust Deposit Account" means the asset account in the
 16 Treasurer of State State Treasury consisting of all, but only, certificates
 17 of deposit acquired administered by the Treasurer of State for and in behalf
 18 the benefit of the several retirement systems and other trust fund accounts;

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

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

28
 29 19-3-503. ~~Composition of gross State Treasury fund balances~~ Treasury
 30 accounts.

31 ~~Gross treasury fund balances shall consist of the Cash Account, the~~
 32 ~~Securities Account, the Trust Deposit Account, the Certificate of Deposit~~
 33 ~~Account, and other accounts as deemed necessary; that is, the aggregate total~~
 34 ~~amount of cash in the hands of the Treasurer of State and on deposit in the~~
 35 ~~name of the Treasurer of State in bank depositories plus the principal amount~~
 36 ~~of all securities held in the Securities Account~~ The Treasurer of State may

1 create and rename accounts to ensure the proper accounting and administration
2 of the State Treasury.

3
4 19-3-504. Record and report of ~~summary~~ financial transactions.

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

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

8 (ii) Require that:

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

12 (b) The asset accounts of the State Treasury
13 be recorded in amounts and sufficient detail to identify the type of assets
14 owned; and

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

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

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

21 (ii) Shall include without limitation records
22 showing:

23 (a) The identity of each fund and category of
24 funds; and

25 (b) A comparison of:

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

28 (2) The target rate of investment return
29 established by the board and the State Treasury's actual rate of investment
30 return.

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

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

36 ~~(A)(i)(a)~~ Summary financial transactions for the day

1 and cumulative summary financial transactions for the current fiscal year.

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

4 (1) a A statement of:

- 5 (A) Direct receipts, ~~both direct~~
- 6 ~~and by;~~ (B) transfer, Transfer receipts;
- 7 (C) ~~a statement of disbursements,~~
- 8 ~~both~~ Disbursements by warrant redemption; and
- 9 (D) Disbursements by transfer;

10 and

11 (2) ~~the~~ The amount of uncollected checks
12 legally charged off;

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

15 ~~(C) (iii)~~ The composition of gross treasury fund
16 balances.

17 ~~(2)(3)~~ Additionally, the records shall reflect in summary form
18 the total principal amount of securities held in trust in the Safekeeping
19 Account ~~for each of the several retirement systems and other trust funds or~~
20 ~~accounts.~~

21 ~~(3)(4)~~ The enumeration of requirements in this subsection ~~shall~~
22 does not be construed as a limitation of:

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

26 (B) ~~exclude such~~ Exclude other primary, ~~and such~~
27 subsidiary, ~~and or~~ auxiliary records as may be required by law, ~~or as kept by~~
28 the Treasurer of State ~~shall determine to keep,~~ or as may be required of the
29 Treasurer of State by the Chief Fiscal Officer of the State in the
30 performance of the duties of the Treasurer of State ~~Treasurer's duties.~~

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

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

36 ~~(2)(B)~~ The report copy and the record of the summary

1 ~~financial transactions from which it was prepared shall be open~~ Open to
 2 public inspection during normal business hours.

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

6
 7 19-3-505. Disposition of moneys received by Treasurer of State.

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

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

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

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

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

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

26
 27 19-3-506. Custodian of ~~various accounts~~ moneys and securities -
 28 Internal controls - Annual audit.

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

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

34 (B) Maintain all moneys and securities consistent with
 35 generally accepted accounting principles.

36 ~~(b)(2) The Treasurer of State shall be custodian of all~~

1 ~~certificates of deposit which are at any time held in the Trust Deposit~~
2 ~~Account and, as custodian, shall be charged with their care. All certificates~~
3 ~~of deposit shall be recorded at cost and segregated under appropriate titles~~
4 ~~so as to reflect the total principal amount of the certificates at any time~~
5 ~~held for each of the several trust accounts.~~

6 ~~(c) The Treasurer of State shall be custodian of all securities at any~~
7 ~~time held in the Safekeeping Account and, as custodian, shall be charged with~~
8 ~~their safekeeping. However, control of the disposition thereof shall be of~~
9 securities is ~~vested at all times,~~ in the respective administrators of the
10 several trust accounts for whom the securities are held. ~~All such securities~~
11 ~~shall be recorded at their par value and segregated under appropriate titles~~
12 ~~so as to reflect the total principal amount of securities at any time held~~
13 ~~for each of the trust accounts.~~

14 (b) To ensure the financial integrity of the State Treasury, the
15 Treasurer of State shall:

16 (1) Establish and maintain effective internal controls over
17 financial reporting and record keeping, including the monitoring of ongoing
18 activities, and comply with the Arkansas Constitution and applicable laws,
19 rules, contracts, and agreements;

20 (2) Establish and maintain effective internal controls to
21 prevent and detect fraud;

22 (3) With respect to State Treasury funds or other public funds,
23 notify the division of all known fraud or suspected fraud or all known or
24 suspected illegal acts involving the management or other employees of the
25 Treasurer of State, the board, a bank depository, an investment depository,
26 or a securities broker;

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

30 (5) Prepare records and reports in accordance with guidelines
31 and timelines established by the Chief Fiscal Officer of the State to permit
32 incorporation into the state's financial statements and to permit the audit
33 of the state's financial statements and the records, reports, and financial
34 statements of the Treasurer of State in a timely manner; and

35 (6) Make all financial records and related information available
36 to the division, including the identification of significant personal or

1 financial relationships between a director, officer, or employee of a bank
 2 depository, investment depository, or securities broker and an officer or
 3 employee of the Treasurer of State or board.

4
 5 19-3-507. Bank depositories generally.

6 (a)~~(1)~~ Subject to the conditions and limitations provided in §§ 19-3-
 7 508 – 19-3-517, ~~any a~~ a bank or savings and loan association as outlined in §
 8 19-3-502(1) and (2) may be designated as a bank depository of State Treasury
 9 moneys.

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

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

17 ~~(2) However, the acceptance of a deposit of State Treasury funds~~
 18 ~~by any institution shall carry with it the obligation of the institution~~
 19 requires a bank depository to observe ~~all of the provisions of §§ 19-3-508 –~~
 20 19-3-517 which are applicable to eligible depositories.

21
 22 19-3-508. Deposits in ineligible institutions.

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

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

35
 36 19-3-509. Maximum amount of deposits and investments – Protection of

1 State Treasury Funds.

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

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

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

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

12
 13 19-3-510. Types of accounts for deposits.

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

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

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

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

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

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

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

34 (d) ~~No treasury funds may~~ Funds from the State Treasury shall not be
 35 ~~deposited in any~~ into a bank depository or an investment depository except
 36 under the terms of a written agreement entered into between the Treasurer of

1 State and the bank depository or investment depository, ~~the essential~~
 2 ~~elements of which agreement shall be conformable to, or not inconsistent that~~
 3 complies with, applicable state and federal law, rules, and regulations
 4 ~~promulgated thereunder.~~

5
 6 19-3-511. Term of deposit – Interest.

7 (a)~~(1)~~ Interest At a meeting called and held before the start of the
 8 term of a certificate of deposit, the State Board of Finance shall determine
 9 the interest rate to be paid on certificates of deposit invested through the
 10 State Treasury Certificate of Deposit Investment Program ~~shall be at a rate~~
 11 ~~fixed by the State Board of Finance at a meeting duly called and held~~
 12 ~~preceding the beginning date of the term of the certificate of deposit.~~

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

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

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

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

31
 32 19-3-512. ~~Estimate of deposits not needed for operations and investment~~
 33 of funds not needed for immediate cash requirements.

34 (a)~~(1)~~ ~~The Treasurer of State~~ No less than quarterly, the State Board
 35 of Finance in conjunction with the Chief Fiscal Officer of the State, ~~shall~~
 36 determine ~~what~~ the amount of ~~state funds~~ from the State Treasury ~~will be~~

1 available ~~in the next period that may be placed by the State Board of Finance~~
 2 ~~into~~ for deposit by the Treasurer of State into the State Treasury
 3 Certificate of Deposit Investment Program ~~as provided in § 19-3-519 during~~
 4 ~~the next period. Interest shall be paid on these deposits as provided in §~~
 5 ~~19-3-511.~~

6 (2) The board shall direct the investment of all moneys that
 7 exceed the cash requirements needed to satisfy outstanding warrants and other
 8 liquid obligations for the succeeding quarter.

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

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

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

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

21 (c) The Treasurer of State, acting ministerially, shall have the
 22 authority to take such action and do such ~~may do all~~ things as shall be
 23 necessary to accomplish the ~~expressed~~ purposes and intent of this section.
 24

25 19-3-513. Interest income on deposits.

26 (a) Interest from time to time due by ~~each~~ a bank depository on Cash
 27 Account demand deposit accounts and Certificate of Deposit Account
 28 certificates of deposit shall be paid ~~and transmitted on each due date to the~~
 29 Treasurer of State and in the manner authorized and prescribed as directed by
 30 the Treasurer of State.

31 ~~All such~~ The interest income shall be classified as trust fund
 32 income, and the net amount ~~thereof~~ of the interest income shall be credited
 33 to the Securities Reserve Fund.
 34

35 19-3-514. List of deposits.

36 (a)(1) On or before the tenth day following the end of each calendar

1 quarter year, the Treasurer of State shall prepare a list of all bank
 2 depositories and.

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

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

8
 9 19-3-515. Charges on deposits.

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

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

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

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

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

26
 27 19-3-516. Discontinuance as bank depository.

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

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

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

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

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

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

12
 13 19-3-517. Effect of proper deposits.

14 The deposit of State Treasury funds in accordance with ~~the provisions~~
 15 ~~of §§ 19-3-507 – 19-3-516 shall relieve~~ relieves the Treasurer of State and
 16 the surety on the Treasurer of State’s bond of ~~any and all~~ liability for the
 17 loss of ~~such~~ the funds by reason of the default or insolvency of ~~any~~ a bank
 18 depository ~~of State Treasury funds~~.

19
 20 19-3-518. Investments in securities and bank certificates of deposit.

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

25 (A) Certificates of deposit of banks and savings and loan
 26 associations; and

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

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

36 (B)(i)(a) After taking into consideration ~~any proposal for~~

1 ~~the immediate investment of such funds in securities, and to the extent of~~
 2 ~~the amount of any~~ the estimated surplus which shall exist moneys under
 3 subdivision (a)(2)(A) of this section, the administrator shall certify to the
 4 Treasurer of State the amount ~~thereof~~ of surplus moneys and the period of
 5 time during which ~~such amount shall~~ the surplus moneys are not be required.

6 (b) The Treasurer of State shall invest the
 7 amount ~~so~~ certified in certificates of deposit issued by eligible banks and
 8 savings and loan associations.

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

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

16 (b)(1) ~~and the~~ The principal amount of the
 17 certificate of deposit shall be ~~credited~~ debited to the Trust Deposit
 18 Account.

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

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

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

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

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

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

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

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

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

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

10 (iii) Obligations of agencies and instrumentalities
 11 created and authorized by act of the United States Congress to issue
 12 securities or evidences of indebtedness, regardless of guarantee of repayment
 13 by the United States Government;

14 (iv) Obligations in which the principal and interest
 15 are fully guaranteed by:

16 (a) The United States Government; or

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

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

23 (a) The United States Government; or

24 (b) An agency or instrumentality created by an
 25 act of the United States Congress and authorized by the United States
 26 Congress to issue the commitment or agreement;

27 (vi) General obligations of the states of the United
 28 States and of the political subdivisions, municipalities, commonwealths,
 29 territories, or insular possessions of the states of the United States;

30 (vii) Obligations issued by the State Board of
 31 Education under authority of the Arkansas Constitution or applicable
 32 statutes;

33 (viii) Warrants of a political subdivision or
 34 municipality of the State of Arkansas having maturities not exceeding one (1)
 35 year;

36 (ix) Prerefunded municipal bonds, if the principal

1 and interest of the municipal bonds are fully secured by the principal and
 2 interest of a direct obligation of the United States Government;

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

5 (xi) Demand, savings, or time deposits or accounts
 6 of a depository institution chartered by the United States, a state of the
 7 United States, or the District of Columbia if funds invested in the demand,
 8 savings, or time deposits or accounts are fully insured by a federal deposit
 9 insurance agency;

10 (xii) Repurchase agreements that are fully
 11 collateralized by direct obligations of the United States Government or the
 12 general obligations of a state or political subdivision of a state of the
 13 United States if the repurchase agreement provides for taking delivery of the
 14 collateral directly or through an authorized custodian;

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

19 (a) The portfolio of the investment company or
 20 investment trust is limited principally to United States Government
 21 obligations and to repurchase agreements fully collateralized by United
 22 States Government obligations; and

23 (b) The investment company or investment trust
 24 takes delivery of the collateral either directly or through an authorized
 25 custodian; or

26 (xiv) As approved by the guidelines established by
 27 the State Treasury investment policy approved by the State Board of Finance;

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

31 (b) as approved in the Treasurer of State's
 32 investment policy, and in obligations Obligations of corporations organized
 33 under the provisions of the Arkansas Development Finance Corporation Act, §
 34 15-4-901 et seq., and issued under the Arkansas Development Finance
 35 Corporation Act, § 15-4-901 et seq., to the extent of forty-eight million
 36 dollars (\$48,000,000), according to the guidelines established in the

~~Treasurer of State's investment policy as approved by the board.~~

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

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

(B) ~~The proceeds of the sale or redemption of securities~~
~~at any time withdrawn from the Securities Account shall be deposited~~ debited
in the Cash Account in the State Treasury.

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

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

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

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

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

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

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

(4)(A) ~~All obligations of any~~ An obligation of a corporation
organized under the Arkansas Development Finance Corporation Act, § 15-4-901

1 et seq., purchased as authorized in this section shall:

2 (i) bear Bear a maturity date not to exceed ten (10)
 3 years; and

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

7 (B) (i) Prior to the purchase of any obligations by the
 8 corporation, there shall be furnished to the board, without cost to it,
 9 Before an obligation described in subdivision (b)(4)(A) of this section is
 10 purchased, the opinion of legal counsel acceptable to the board State Board
 11 of Finance shall be furnished without charge to the State Board of Finance.

12 (ii) The opinion shall:

13 (a) approving Approve the validity of the
 14 issue;

15 (b) and reciting Recite that, in the opinion
 16 of ~~the~~ counsel, the obligations to be purchased by the ~~board~~ State Board of
 17 Finance are the duly authorized, legally binding obligations of the issuing
 18 corporation; and

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

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

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

36 (6) The ~~board~~ State Board of Finance ~~provides~~ shall provide

1 ministerial authority to the Treasurer of State to take whatever action
 2 becomes necessary in regard to securities held in the Securities Account to
 3 provide the requisite amount of cash necessary in demand deposit accounts to
 4 carry out the business of the state or to correct any miscalculations ~~which~~
 5 that have arisen.

6 (7)(A) ~~No~~ A purchase, exchange, or receipt of ~~obligations~~ an
 7 obligation by the ~~board~~ State Treasury shall ~~ever be construed as a~~
 8 ~~cancellation of the obligations so~~ not cancel the obligation purchased,
 9 exchanged, or received.

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

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

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

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

32 (B) At all times during the term of the loan, the
 33 collateral shall ~~be equal to not less than~~ or exceed one hundred percent
 34 (100%) of the full market value ~~calculated on the total value~~ of all
 35 securities on loan.

36 (C) For purposes of this subdivision (b)(9) ~~of this~~

1 ~~section~~, the full market value of the collateral shall be determined on a
2 daily basis.

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

6 (2) The proceeds of ~~the investments of~~ investing federal funds
7 shall be used for the same purpose ~~as that~~ authorized for other moneys
8 accruing to the benefit of the Securities Reserve Fund ~~as authorized by~~ under
9 § 19-3-521.

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

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

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

21 (4) On the first day of business of the month, the Treasurer of
22 State shall:

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

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

32
33 19-3-519. State Treasury Certificate of Deposit Investment Program.

34 (a) ~~From time to time~~ The policy of the State Board of Finance ~~sets to~~
35 set aside an amount to be invested in ~~one hundred eighty day or longer~~
36 certificates of deposit. ~~Hereinafter, this will be referred to~~ that mature no

1 sooner than one hundred eighty (180) days shall be known as the "State
 2 Treasury Certificate of Deposit Investment Program".

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

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

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

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

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

13 (5) Savings and loan associations chartered by the State of
 14 Arkansas.

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

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

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

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

29 (e) As used in this section:

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

31 (A) Loans made to individual borrowers residing in the
 32 State of Arkansas;

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

36 (C) Bonds issued or loans made to the State of Arkansas or

1 its instrumentalities;

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

4 (E) Bonds issued by Arkansas corporations, ~~;~~ and

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

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

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

14 ~~(2) The deposit of funds shall be allocated between~~
15 ~~participating institutions such that institutions enumerated in subdivisions~~
16 ~~(b)(1)-(3) of this section make up one (1) group, hereinafter referred to as~~
17 ~~the bank group, and institutions enumerated in subdivisions (b)(4) and (5) of~~
18 ~~this section make up the other group, hereinafter referred to as the savings~~
19 ~~and loan group.~~

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

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

27 ~~(5) In the event that institutions in the savings and loan group~~
28 ~~do not accept for investment all of the pro rata part of these funds, then~~
29 ~~the excess shall be offered pro rata to institutions in the bank group.~~
30 ~~Conversely, if institutions in the bank group do not accept all of their pro~~
31 ~~rata share of the funds, then the excess shall be offered pro rata to the~~
32 ~~savings and loan group.~~

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

36 (h)(1) Interest on funds invested under this section shall be paid by

1 participating institutions at ~~such rates as~~ established by the board ~~shall,~~
 2 ~~from time to time, prescribe.~~

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

7 (i)(1) Moneys required for ~~each such a~~ a purchase under this section
 8 shall be withdrawn from the Cash Account and paid ~~over~~ to the issuer of the
 9 certificate of deposit, ~~and.~~

10 (2) ~~the~~ The principal amount of the certificate of deposit shall
 11 be credited to the Certificate of Deposit Account.

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

15
 16 19-3-520. Minimum balance to be maintained.

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

24
 25 19-3-521. Securities Reserve Fund.

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

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

31 (B) The Treasurer of State's account in bank
 32 depositories.

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

36 (B) However, moneys in the Securities Reserve Fund in

1 excess of one hundred thousand dollars (\$100,000) shall be available at all
 2 times to the Chief Fiscal Officer of the State for transfer to the Budget
 3 Stabilization Trust Fund, there to be used as provided by law.

4 (b)(1) If ~~any~~ a loss is sustained in relation to securities held at
 5 any time in the Securities Account or in the Treasurer of State's account in
 6 any bank depository and the credit balance in the Securities Reserve Fund is
 7 insufficient to absorb the loss, the Chief Fiscal Officer of the State shall
 8 transfer moneys from the Budget Stabilization Trust Fund to the Securities
 9 Reserve Fund of an amount that, when added to the credit balance in the
 10 Securities Reserve Fund, equals the amount of ~~any~~ the loss.

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

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

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

25
 26 19-3-522. Servicing state debt.

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

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

34 (c) The secretary ~~shall~~, without fail, shall cause notice of the call
 35 to be published not less than thirty (30) days before the first date upon
 36 which such bonds may be called, with publication to be by one (1) insertion

1 in a newspaper published in each of the cities of Little Rock, Arkansas; St.
 2 Louis, Missouri; and in a financial newspaper published in the Borough of
 3 Manhattan, City of New York, State of New York.

4
 5 SECTION 3. Arkansas Code § 19-3-604(a), concerning the administration
 6 of the State Treasury Money Trust Management Fund, is amended to read as
 7 follows:

8 (a) ~~The Treasurer of State shall establish regulations in the form of~~
 9 ~~an investment policy to be approved by the State Board of Finance to carry~~
 10 ~~out the provisions of this section to invest State Treasury Money Trust~~
 11 ~~Management Fund moneys and all other policies and procedures established by~~
 12 ~~the State Board of Finance under § 19-7-101 et seq. apply to the~~
 13 administration of this subchapter by the Treasurer of State.

14
 15 SECTION 4. TEMPORARY LANGUAGE. DO NOT CODIFY. Grace period.
 16 Upon application and for good cause the State Board of Finance may
 17 allow an entity that was a bank depository or investment depository on the
 18 effective date of this act until January 1, 2014, to comply with:

- 19 (1) An eligibility requirement established after the effective
 20 date of this act; or
 21 (2) A requirement of § 19-3-501 et seq. established by this act.

22
 23 SECTION 5. Arkansas Code § 19-3-101 is repealed.
 24 ~~19-3-101. State Board of Finance.~~

25 ~~(a) There is created and established at the seat of government of this~~
 26 ~~state a State Board of Finance. The Governor, the Treasurer of State, the~~
 27 ~~Auditor of State, the Bank Commissioner, and the Director of the Department~~
 28 ~~of Finance and Administration shall constitute the members. The Governor~~
 29 ~~shall be chair of the board, and the Treasurer of State shall be secretary of~~
 30 ~~the board and its executive officer and disbursing agent.~~

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

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

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

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

6 ~~(3) A quorum for the transaction of business at any meeting~~
7 ~~shall consist of not less than three (3) members, and the affirmative vote of~~
8 ~~such number shall be requisite for the adoption of any motion or resolution.~~

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