

1 INTERIM STUDY PROPOSAL 2019-115

2 State of Arkansas  
3 92nd General Assembly  
4 Regular Session, 2019

*As Engrossed: S3/7/19*

**A Bill**

SENATE BILL 390

5  
6 By: Senator K. Hammer

7 Filed with: Senate Committee on State Agencies and Governmental Affairs  
8 pursuant to A.C.A. §10-3-217.

9 **For An Act To Be Entitled**

10 AN ACT TO REGULATE THE DEPOSIT AND INVESTMENT OF  
11 CERTAIN FUNDS OF STATE AGENCIES AND INSTITUTIONS OF  
12 HIGHER EDUCATION; TO REQUIRE CERTAIN CASH FUNDS TO BE  
13 DEPOSITED INTO THE STATE TREASURY MONEY MANAGEMENT  
14 TRUST; TO REQUIRE MONEYS IN THE PUBLIC SCHOOL FUND TO  
15 BE DEPOSITED INTO THE STATE TREASURY MONEY MANAGEMENT  
16 TRUST; TO PROVIDE FOR THE DEPOSIT OF SURPLUS LOCAL  
17 SALES AND USE TAX FUNDS INTO THE STATE TREASURY MONEY  
18 MANAGEMENT TRUST; TO ALLOW OTHER FUNDS TO BE  
19 DEPOSITED INTO THE STATE TREASURY MONEY MANAGEMENT  
20 TRUST; TO AMEND THE LAW CONCERNING THE LONG TERM  
21 RESERVE FUND; TO ESTABLISH FEES FOR STATE AGENCY  
22 FUNDS DEPOSITED INTO THE STATE TREASURY MONEY  
23 MANAGEMENT TRUST; AND FOR OTHER PURPOSES.

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26 **Subtitle**

27 TO AUTHORIZE AND REQUIRE CERTAIN FUNDS TO  
28 BE DEPOSITED INTO THE STATE TREASURY  
29 MONEY MANAGEMENT TRUST; TO AMEND THE LONG  
30 TERM RESERVE FUND; AND TO ESTABLISH FEES  
31 FOR FUNDS DEPOSITED INTO THE STATE  
32 TREASURY MONEY MANAGEMENT TRUST.

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35 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:  
36

1 SECTION 1. Arkansas Code § 19-3-603 is amended to read as follows:  
 2 19-3-603. Authorized deposits.

3 ~~(a) Any entity listed below~~ The following may deposit money to be  
 4 deposited into the State Treasury Money Management Trust for the purpose of  
 5 investment:

6 (1) State agency's cash funds, as defined in § 19-4-801;

7 (2) ~~Local governments:~~

8 ~~(A) Any~~ The funds of a city, county, school district, or  
 9 community college district of this state; and the funds of a

10 ~~(B) Any~~ department, instrumentality, or agency of these  
 11 entities a city, county, school district, or community college district of  
 12 this state; and

13 (3) Except as otherwise prohibited by law, trust funds  
 14 established by the General Assembly;

15 (4)(A) Distributions by the Department of Education from the  
 16 Public School Fund to public school districts.

17 (B) Funds deposited into the State Treasury Money  
 18 Management Trust under subdivision (a)(4)(A) of this section shall be:

19 (i) Transferred by electronic funds transfer;

20 (ii) Segregated for each individual public school  
 21 district; and

22 (iii) For the benefit of each individual public  
 23 school district; and

24 ~~(3)(5) The Treasurer of State may invest in the State Treasury~~  
 25 ~~Money Management Trust to the extent~~ State Treasury funds that are not being  
 26 utilized for certificates of deposit under the State Treasury Certificate of  
 27 Deposit Investment Program or for trust certificates of deposit ~~pursuant to~~  
 28 under the State Treasury Management Law, § 19-3-501 et seq.

29 (b)(1) The following shall submit a quarterly report to the  
 30 Legislative Council or, if the General Assembly is in session, to the Joint  
 31 Budget Committee, for any funds that are authorized to be deposited into the  
 32 State Treasury Money Management Trust under this section but that are not  
 33 invested in the State Treasury Money Management Trust:

34 (A)(i) Except as provided in subdivision (b)(1)(A)(ii) of  
 35 this section, a state agency with a cash fund, as defined in § 19-4-801.

1                   (ii) A retirement system established under Title 24  
2 of this Code and a state-supported institution of higher education are exempt  
3 from the requirements of this subsection; and

4                   (B)(i) Beginning January 1, 2020, the Department of  
5 Education.

6                   (ii) The Department of Education may use information  
7 provided by the Arkansas Public School Computer Network or its successor to  
8 assist in the creation of the report required under this subsection.

9                   (2) The report required under this subsection shall identify  
10 the:

11                   (A) Financial institutions where the funds are maintained;

12                   (B) Balance of the funds at each financial institution at  
13 the end of the quarter;

14                   (C) Quarterly rate of return on the investment of the  
15 funds; and

16                   (D) Quarterly interest earned on the funds.

17                   (3) Any public entity not identified in subdivision (b)(1) of  
18 this section, including without limitation a county and a municipality, is  
19 not required to submit a report under this subsection.

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21           SECTION 2. Arkansas Code § 19-3-604(c)-(f), concerning the State  
22 Treasury Money Management Trust, are amended to read as follows:

23           (c)(1) Moneys deposited into the State Treasury Money Management Trust  
24 by participants other than the State Treasury are not and shall not become  
25 part of State Treasury funds.

26           (2) The State Treasury Money Management Trust shall operate as a  
27 segregated account for custodial, depository, and accounting purposes.

28           (3)(A) Except as required under § 19-3-603(b), a participant  
29 may deposit at will into and, up to the balance of the participant's account,  
30 obtain moneys upon demand from the State Treasury Money Management Trust.

31                   (B) A demand for funds by a participant under this  
32 subdivision (c)(3) shall be made by notice as prescribed by the State Board  
33 of Finance.

34           (d) Each participant ~~who elects to deposit money~~ that deposits moneys  
35 into the State Treasury Money Management Trust shall provide the account  
36 information required by the State Board of Finance, including without

1 limitation the identity of any person authorized to conduct transactions on  
2 behalf of the participant.

3 (e) ~~Any~~ A loss of principal or interest realized as the result of a  
4 participant's demand for withdrawal of funds shall be incurred by the  
5 participant requesting the withdrawal and deducted on the day the withdrawal  
6 is made.

7 (f)(1) The Treasurer of State may+

8 ~~(A) Assess~~ assess reasonable charges against the account  
9 of a participant in the State Treasury Money Management Trust for  
10 reimbursement of administration and operational expenses; ~~and~~

11 ~~(B) Charge a reasonable fee for managing the State~~  
12 ~~Treasury Money Management Trust.~~

13 (2)~~(A)~~ The State Board of Finance shall set any charge or fee  
14 imposed under this subsection.

15 (B) The charges and fees set by the State Board of Finance  
16 under subdivision (f)(2)(A) of this section shall be deposited into the Long  
17 Term Reserve Fund.

18 ~~(3) Charges and fees received under this subsection shall be~~  
19 ~~deposited into the State Treasury in a fund for the benefit of the Treasurer~~  
20 ~~of State.~~

21  
22 SECTION 3. Arkansas Code § 19-5-905(a)(7), concerning the use of the  
23 Securities Reserve Fund, is amended to read as follows:

24 (7) To distribute:

25 (A) Interest income earned on investment of balances of  
26 the following:

27 (i) The State Highway and Transportation Department  
28 Fund, as authorized by § 27-70-204;

29 (ii) The Game Protection Fund, as authorized by §  
30 15-41-110;

31 (iii) The funds deposited into the State Treasury by  
32 state agencies, boards, and commissions that were previously held as cash  
33 funds in a bank depository or investment depository, as authorized by § 19-3-  
34 518(d); ~~and~~

35 (iv) State and Local Fiscal Assistance Act of 1972,  
36 31 U.S.C. § 6701 et seq., as authorized by § 19-3-521(c); and

1                   (v) The Long Term Reserve Fund, as authorized under  
2 § 19-6-486(h); and

3                   (B) Interest income earned from investment of State  
4 Treasury balances by any other laws enacted by the General Assembly;

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6           SECTION 4. Arkansas Code § 19-6-486(b), concerning the Long Term  
7 Reserve Fund, is amended to read as follows:

8           (b) The Long Term Reserve Fund shall consist of ~~such~~:

9                   (1) Funds received from the charges and fees collected under §  
10 19-3-604(f)(2)(B); and

11                   (2) Any other funds ~~as may be~~ provided by the General Assembly.  
12

13           SECTION 5. Arkansas Code § 19-6-486, concerning the Long Term Reserve  
14 Fund, is amended to add an additional subsection to read as follows:

15           (h)(1) Interest earned on the Long Term Reserve Fund is special  
16 revenue.

17                   (2) On the second business day that the State Treasury is open  
18 following the twenty-fifth day of the month, the Treasurer of State shall:

19                   (A) Compute the balance of the Long Term Reserve Fund for  
20 the immediately preceding month;

21                   (B) Compute the interest on the balance of the Long Term  
22 Reserve Fund under § 19-3-518(d)(4); and

23                   (C) After making the deductions stated in § 19-5-  
24 203(b)(2)(A) from the special revenues, transfer the remaining interest on  
25 the Long Term Reserve Fund to the Long Term Reserve Fund.  
26

27           SECTION 6. Arkansas Code § 26-74-221(b)(2), concerning the  
28 administration of the Local Sales and Use Tax Trust Fund with respect to  
29 county sales and use taxes for capital improvements, is amended to read as  
30 follows:

31                   (2)(A) After making the estimate, the administrator shall invest  
32 the estimated surplus amount in ~~certificates of deposit issued by any~~  
33 ~~financial institution located in the State of Arkansas~~ the State Treasury  
34 Money Management Trust, as authorized in the State Treasury Money Management  
35 Trust Act, § 19-3-601 et seq.

1                   (B) All interest income derived from the ~~certificates of~~  
2 ~~deposit investment of funds under subdivision (b)(2)(A) of this section~~ shall  
3 be credited as trust fund income to the Local Sales and Use Tax Trust Fund.  
4

5           SECTION 7. Arkansas Code § 26-74-317(b)(2), concerning the  
6 administration of the Local Sales and Use Tax Trust Fund with respect to  
7 county sales and use taxes for capital improvements, is amended to read as  
8 follows:

9                   (2)(A) After making the estimate, the administrator shall invest  
10 the estimated surplus amount in ~~certificates of deposit issued by any~~  
11 ~~financial institution located in the State of Arkansas~~ the State Treasury  
12 Money Management Trust, as authorized in the State Treasury Money Management  
13 Trust Act, § 19-3-601 et seq.

14                   (B) All interest income derived from the ~~certificates of~~  
15 ~~deposit investment of funds under subdivision (b)(2)(A) of this section~~ shall  
16 be credited as trust fund income to the Local Sales and Use Tax Trust Fund.  
17

18           SECTION 8. Arkansas Code § 26-74-413(b)(2), concerning the  
19 administration of the Local Sales and Use Tax Trust Fund with respect to  
20 county sales and use taxes in counties without an existing tax, is amended to  
21 read as follows:

22                   (2)(A) After making the estimate, the administrator shall invest  
23 the estimated surplus amount in ~~certificates of deposit issued by any~~  
24 ~~financial institution located in the State of Arkansas~~ the State Treasury  
25 Money Management Trust, as authorized in the State Treasury Money Management  
26 Trust Act, § 19-3-601 et seq.

27                   (B) All interest income derived from the ~~certificates of~~  
28 ~~deposit investment of funds under subdivision (b)(2)(A) of this section~~ shall  
29 be credited as trust fund income to the Local Sales and Use Tax Trust Fund.  
30

31           SECTION 9. Arkansas Code § 26-74-613(b)(2), concerning the  
32 administration of the Local Sales and Use Tax Trust Fund with respect to  
33 county sales and use taxes for capital improvements of a community college,  
34 is amended to read as follows:

35                   (2)(A) After making the estimate, the Treasurer of State shall  
36 invest the estimated surplus amount in ~~certificates of deposit issued by any~~

1 ~~financial institution located in the State of Arkansas~~ the State Treasury  
2 Money Management Trust, as authorized in the State Treasury Money Management  
3 Trust Act, § 19-3-601 et seq.

4 (B) All interest income derived from the ~~certificates of~~  
5 ~~deposit investment of funds under subdivision (b)(2)(A) of this section~~ shall  
6 be credited as trust fund income to the Local Sales and Use Tax Trust Fund.

7  
8 SECTION 10. Arkansas Code § 26-75-223(b)(2), concerning the  
9 administration of the Local Sales and Use Tax Trust Fund with respect to  
10 municipal sales and use taxes for capital improvements, is amended to read as  
11 follows:

12 (2)(A) After making the estimate, the administrator shall invest  
13 the estimated surplus amount in ~~certificates of deposit issued by any~~  
14 ~~financial institution located in the State of Arkansas~~ the State Treasury  
15 Money Management Trust, as authorized in the State Treasury Money Management  
16 Trust Act, § 19-3-601 et seq.

17 (B) All interest income derived from the ~~certificates of~~  
18 ~~deposit investment of funds under subdivision (b)(2)(A) of this section~~ shall  
19 be credited as trust fund income to the Local Sales and Use Tax Trust Fund.

20  
21 SECTION 11. Arkansas Code § 26-75-318(b)(2), concerning the  
22 administration of the Local Sales and Use Tax Trust Fund with respect to  
23 municipal sales and use taxes for capital improvements, is amended to read as  
24 follows:

25 (2)(A) After making the estimate, the administrator shall invest  
26 the estimated surplus amount in ~~certificates of deposit issued by any~~  
27 ~~financial institution located in the State of Arkansas~~ the State Treasury  
28 Money Management Trust, as authorized in the State Treasury Money Management  
29 Trust Act, § 19-3-601 et seq.

30 (B) All interest income derived from the ~~certificates of~~  
31 ~~deposit investment of funds under subdivision (b)(2)(A) of this section~~ shall  
32 be credited as trust fund income to the Local Sales and Use Tax Trust Fund.

33  
34 SECTION 12. Arkansas Code § 26-82-113(b)(2), concerning the  
35 administration of the Local Sales and Use Tax Trust Fund under the Local

1 Sales and Use Tax Economic Development Project Funding Act, is amended to  
2 read as follows:

3 (2)(A) After making an estimate under subdivision (b)(1) of this  
4 section, the Treasurer of State shall invest the estimated surplus amount in  
5 ~~certificates of deposit issued by any financial institution located in the~~  
6 state the State Treasury Money Management Trust, as authorized in the State  
7 Treasury Money Management Trust Act, § 19-3-601 et seq.

8 (B) All interest income derived from the ~~certificates of~~  
9 deposit investment of funds under subdivision (b)(2)(A) of this section shall  
10 be credited as trust fund income to the Local Sales and Use Tax Trust Fund.

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*/s/K. Hammer*

16 Referred requested by the Arkansas Senate  
17 Prepared by: JLL/VJF

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