

MONEY MANAGEMENT ACT AMENDMENTS

2015 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Rich Cunningham

Senate Sponsor: Curtis S. Bramble

LONG TITLE

General Description:

This bill modifies provisions of the State Money Management Act.

Highlighted Provisions:

This bill:

- ▶ modifies provisions relating to authorized deposits or investments of public funds;
- ▶ provides for a transition of investments that were previously authorized; and
- ▶ repeals provisions relating to the State School Fund report.

Money Appropriated in this Bill:

None

Other Special Clauses:

None

Utah Code Sections Affected:

AMENDS:

51-7-11, as last amended by Laws of Utah 2013, Chapters 204 and 388

51-7-23, as last amended by Laws of Utah 1989, Chapter 66

REPEALS:

51-7-9.5, as last amended by Laws of Utah 2014, Chapter 307

Be it enacted by the Legislature of the state of Utah:

Section 1. Section **51-7-11** is amended to read:

51-7-11. Authorized deposits or investments of public funds.

(1) (a) Except as provided in Subsections (1)(b) and (1)(c), a public treasurer shall

30 conduct investment transactions through qualified depositories, certified dealers, or directly
31 with issuers of the investment securities.

32 (b) A public treasurer may designate a certified investment adviser to make trades on
33 behalf of the public treasurer.

34 (c) A public treasurer may make a deposit in accordance with Section 53B-7-601 in a
35 foreign depository institution as defined in Section 7-1-103.

36 (2) The remaining term to maturity of the investment may not exceed the period of
37 availability of the funds to be invested.

38 (3) Except as provided in Subsection (4), all public funds shall be deposited or invested
39 in the following assets that meet the criteria of Section 51-7-17:

40 (a) negotiable or nonnegotiable deposits of qualified depositories;

41 (b) qualifying or nonqualifying repurchase agreements and reverse repurchase
42 agreements with qualified depositories using collateral consisting of:

43 (i) Government National Mortgage Association mortgage pools;

44 (ii) Federal Home Loan Mortgage Corporation mortgage pools;

45 (iii) Federal National Mortgage Corporation mortgage pools;

46 (iv) Small Business Administration loan pools;

47 (v) Federal Agriculture Mortgage Corporation pools; or

48 (vi) other investments authorized by this section;

49 (c) qualifying repurchase agreements and reverse repurchase agreements with certified
50 dealers, permitted depositories, or qualified depositories using collateral consisting of:

51 (i) Government National Mortgage Association mortgage pools;

52 (ii) Federal Home Loan Mortgage Corporation mortgage pools;

53 (iii) Federal National Mortgage Corporation mortgage pools;

54 (iv) Small Business Administration loan pools; or

55 (v) other investments authorized by this section;

56 (d) commercial paper that is classified as "first tier" by two nationally recognized
57 statistical rating organizations, which has a remaining term to maturity of:

- 58 (i) 270 days or fewer for paper issued under 15 U.S.C. Sec. 77c(a)(3); or
- 59 (ii) 365 days or fewer for paper issued under 15 U.S.C. Sec. 77d(2);
- 60 (e) bankers' acceptances that:
 - 61 (i) are eligible for discount at a Federal Reserve bank; and
 - 62 (ii) have a remaining term to maturity of 270 days or fewer;
- 63 (f) fixed rate negotiable deposits issued by a permitted depository that have a
- 64 remaining term to maturity of 365 days or fewer;
- 65 (g) obligations of the United States Treasury, including United States Treasury bills,
- 66 United States Treasury notes, and United States Treasury bonds[;] that, unless the funds
- 67 invested are pledged or otherwise deposited in an irrevocable trust escrow account, have a
- 68 remaining term to final maturity of:
 - 69 (i) five years or less; or
 - 70 (ii) if the funds are invested by an institution of higher education as defined in Section
 - 71 53B-3-102, a city of the first class, or a county of the first class, 10 years or less;
 - 72 (h) obligations other than mortgage pools and other mortgage derivative products that:
 - 73 (i) are issued by, or fully guaranteed as to principal and interest by, the following
 - 74 agencies or instrumentalities of the United States in which a market is made by a primary
 - 75 reporting government securities dealer, unless the agency or instrumentality has become private
 - 76 and is no longer considered to be a government entity:
 - 77 [~~(i)~~] (A) Federal Farm Credit banks;
 - 78 [~~(ii)~~] (B) Federal Home Loan banks;
 - 79 [~~(iii)~~] (C) Federal National Mortgage Association;
 - 80 [~~(iv)~~] (D) Federal Home Loan Mortgage Corporation;
 - 81 [~~(v)~~] (E) Federal Agriculture Mortgage Corporation; and
 - 82 [~~(vi)~~] (F) Tennessee Valley Authority; and
 - 83 (ii) unless the funds invested are pledged or otherwise deposited in an irrevocable trust
 - 84 escrow account, have a remaining term to final maturity of:
 - 85 (A) five years or less; or

86 (B) if the funds are invested by an institution of higher education as defined in Section
87 53B-3-102, a city of the first class, or a county of the first class, 10 years or less;

88 (i) fixed rate corporate obligations that:

89 (i) are rated "A" or higher or the equivalent of "A" or higher by two nationally
90 recognized statistical rating organizations;

91 (ii) are senior unsecured or secured obligations of the issuer, excluding covered bonds;

92 (iii) are publicly traded; and

93 (iv) have a remaining term to final maturity of 15 months or less or are subject to a
94 hard put at par value or better, within 365 days;

95 (j) tax anticipation notes and general obligation bonds of the state or a county,
96 incorporated city or town, school district, or other political subdivision of the state, including
97 bonds offered on a when-issued basis without regard to the limitations described in Subsection
98 (7)[;] that, unless the funds invested are pledged or otherwise deposited in an irrevocable trust
99 escrow account, have a remaining term to final maturity of:

100 (i) five years or less; or

101 (ii) if the funds are invested by an institution of higher education as defined in Section
102 53B-3-102, a city of the first class, or a county of the first class, 10 years or less;

103 (k) bonds, notes, or other evidence of indebtedness of a county, incorporated city or
104 town, school district, or other political subdivision of the state that are payable from
105 assessments or from revenues or earnings specifically pledged for payment of the principal and
106 interest on these obligations, including bonds offered on a when-issued basis without regard to
107 the limitations described in Subsection (7)[;] that, unless the funds invested are pledged or
108 otherwise deposited in an irrevocable trust escrow account, have a remaining term to final
109 maturity of:

110 (i) five years or less; or

111 (ii) if the funds are invested by an institution of higher education as defined in Section
112 53B-3-102, a city of the first class, or a county of the first class, 10 years or less;

113 (l) shares or certificates in a money market mutual fund;

- 114 (m) variable rate negotiable deposits that:
- 115 (i) are issued by a qualified depository or a permitted depository;
- 116 (ii) are repriced at least semiannually; and
- 117 (iii) have a remaining term to final maturity not to exceed three years;
- 118 (n) variable rate securities that:
- 119 (i) (A) are rated "A" or higher or the equivalent of "A" or higher by two nationally
- 120 recognized statistical rating organizations;
- 121 (B) are senior unsecured or secured obligations of the issuer, excluding covered bonds;
- 122 (C) are publicly traded;
- 123 (D) are repriced at least semiannually; and
- 124 (E) have a remaining term to final maturity not to exceed three years or are subject to a
- 125 hard put at par value or better, within 365 days;
- 126 (ii) are not mortgages, mortgage-backed securities, mortgage derivative products, or a
- 127 security making unscheduled periodic principal payments other than optional redemptions; and
- 128 (o) reciprocal deposits made in accordance with Subsection 51-7-17(4).
- 129 (4) The following public funds are exempt from the requirements of Subsection (3):
- 130 (a) the Employers' Reinsurance Fund created in Section 34A-2-702;
- 131 (b) the Uninsured Employers' Fund created in Section 34A-2-704;
- 132 (c) a local government other post-employment benefits trust fund under Section
- 133 51-7-12.2; and
- 134 (d) a nonnegotiable deposit made in accordance with Section 53B-7-601 in a foreign
- 135 depository institution as defined in Section 7-1-103.
- 136 (5) If any of the deposits authorized by Subsection (3)(a) are negotiable or
- 137 nonnegotiable large time deposits issued in amounts of \$100,000 or more, the interest shall be
- 138 calculated on the basis of the actual number of days divided by 360 days.
- 139 (6) A public treasurer may maintain fully insured deposits in demand accounts in a
- 140 federally insured nonqualified depository only if a qualified depository is not reasonably
- 141 convenient to the entity's geographic location.

142 (7) Except as provided under Subsections (3)(j) and (k), the public treasurer shall
143 ensure that all purchases and sales of securities are settled within:

144 (a) 15 days of the trade date for outstanding issues; and

145 (b) 30 days for new issues.

146 Section 2. Section **51-7-23** is amended to read:

147 **51-7-23. Transition of investments previously authorized.**

148 (1) Any investment held by a public treasurer that as of [~~January 1, 1989, was~~
149 ~~previously authorized, but no longer qualifies under~~] June 30, 2015, is not in compliance with
150 the provisions of this chapter[~~, is considered an authorized investment until it matures or is~~
151 ~~sold~~] is subject to review by the council.

152 (2) (a) No later than July 31, 2015, a public treasurer who holds an investment
153 described in Subsection (1) shall provide the council a written report that outlines a reasonable
154 plan to bring the investment into compliance.

155 (b) A plan described in Subsection (2)(a) is subject to annual review by the council.

156 Section 3. **Repealer.**

157 This bill repeals:

158 Section **51-7-9.5, State School Fund report.**