

2nd Sub. S.B. 15
USE OF TOBACCO SETTLEMENT REVENUES

SENATE FLOOR AMENDMENTS

AMENDMENT 3

FEBRUARY 25, 2000 8:52 AM

Senator **L. Steven Poulton** proposes the following amendments:

1. Page 1, Line 23: After line 23 insert:
 "**52-7-12.1**, Utah Code Annotated 1953"

2. Page 4, Line 96: After line 96 insert:
 "Section 3. Section **51-7-12.1** is enacted to read:
 **51-7-12.1. Deposit or investment of Tobacco Settlement
Endowment -- Authorized deposits and investment -- Asset
manager.**
(1) Notwithstanding the requirements of Section 51-7-11, monies
in the Tobacco Settlement Endowment established by Section
63-97-301 shall be deposited or invested only in the following:
(a) any deposit or investment authorized by Section 51-7-11;
(b) equity securities, including common and preferred stock issued
by corporations listed on a major securities exchange, in
accordance with the following criteria applied at the time of
investment:
(i) the treasurer may not invest more than 5%, determined on a
cost basis, of the total endowment assets in the securities of any
one issuer;
(ii) the treasurer may not invest more than 25%, determined on a
cost basis, of the total endowment assets in a particular industry;
(iii) the treasurer may not invest more than 5%, determined on a
cost basis, of the total endowment assets in securities of
corporations that have been in continuous operation for less than
three years;
(iv) the endowment may not hold in excess of 5% of the
outstanding voting securities of any one corporation; and
(v) at least 75% of the corporations in which investments are made
under Subsection (1)(b) must appear on the Standard and Poor's
500 Composite Stock Price Index;
(c) fixed-income securities, including bonds, notes mortgage
securities, zero coupon securities, and convertible securities issued
by domestic corporations rated A or higher by Moody's Investor's
Service, Inc. or by Standard and Poor's Corporation in accordance

with the following criteria applied at the time of investment:

- (i) the treasurer may not invest more than 5%, determined on a cost basis, of the total endowment assets in the securities of any one issuer;
- (ii) the treasurer may not invest more than 25%, determined on a cost basis, of the total endowment assets in a particular industry;
- (iii) the treasurer may not invest more than 5%, determined on a cost basis, of the total fund assets in the securities of corporations that have been in continuous operation for less than three years;

and

- (iv) the dollar-weighted average maturity of fixed-income securities acquired under Subsection (1)(c), may not exceed ten years;
- (d) fixed-income securities issued by agencies of the United States and government-sponsored organizations, including mortgage-backed pass-through certificates and mortgage-backed bonds;
- (e) shares of an open-end diversified management investment company established under the Investment Companies Act of 1940; and
- (f) shares of or deposits in a pooled-investment program.

(2) (a) No more than 65% of the total fund assets of any of this endowment, on a cost basis, may be invested in common or preferred stocks at any one time.

(b) At least 35% of the total assets of this endowment shall be invested in fixed-income securities authorized by Subsections (1)(a), (c), and (d).

(3) The treasurer shall use appropriate investment strategies to protect the principal of the endowment administered under this section during periods of financial market volatility.

(4) (a) The treasurer may employ professional asset managers to assist in the investment of assets of the endowment.

(b) The treasurer may provide compensation to asset managers from earnings generated by the funds' investments.

(5) The council shall give suggestions, advice, and opinions to the treasurer in regard to this section."

Renumber remaining sections accordingly.

"(2) Monies in the account shall be deposited or invested pursuant to Section 51-7-12.1.

4. Page 5, Line 146:

After "1998;" delete "and"

5. Pages 5-6, Lines 147-151:

Delete lines 147 through 151 and insert:

"(c) capital gains on assets in the account; and

(d) interest and dividends earned on investments.

(4) Tobacco settlement funds and capital gains in the account pursuant to Subsections (3)(a), (b), and (c) shall be treated as principal and may not be appropriated for any purpose, but shall remain in the account for the purpose of earning interest and dividends to be appropriated in accordance with Subsection (5).

(5) Interest and dividends earned on the account may only be used as directed by the Legislature through appropriation."

6. Page 6, Line 180:

After line 180 insert:

"(1) If this bill and H.B. 390, Endowment Fund for Tobacco Settlement Monies, both pass it is the intent of the Legislature that:

(a) The amendments to Section 51-7-12.1 in H.B. 390 supercede the amendments to Section 51-7-12.1 in this bill and that the reference to "Section 63-97-102" in Section 51-7-12.1 in H.B. 390 be amended to read "63-97-102".

(b) The renumbering and amendments to Section 63-97-102 in this bill supercede the amendments to Section 63-97-102 in H.B. 390."

7. Page 7, Line 181:

Delete "If" and insert "(2) If"

8. Page 7, Line 185:

Delete "(1)" and insert "(a)"

9. Page 7, Line 194:

After "Section 4." insert:

"(3) Funds in the permanent state trust fund shall be deposited or invested pursuant to Section 51-7-12.1."

10. Page 7, Line 194: After line 194 insert:
"(b) The reference to "the Tobacco Settlement Endowment established by Section 63-97-301" in Subsection 51-7-12.1(1) be amended to read "the permanent state trust fund created by and operated under Utah Constitution Article XXII, Section 4"
10. Page 7, Line 195: Delete "(2)" and insert "(c)" and delete "5" and insert "6"
11. Page 7, Line 198: Delete "(3)" and insert "(d)"
12. Page 7, Line 199: Delete "Subsection (1)" insert "Subsections (2)(a) and (b)"