1	ENDOWMENT FUND FOR TOBACCO
2	SETTLEMENT MONIES
3	2000 GENERAL SESSION
4	STATE OF UTAH
5	Sponsor: Richard L. Walsh
6	AN ACT RELATING TO THE TOBACCO SETTLEMENT ACCOUNT; AUTHORIZING THE
7	TOBACCO SETTLEMENT ACCOUNT TO BE INVESTED IN CERTAIN COMMON AND
8	PREFERRED STOCK AND BONDS; AMENDING THE NAME OF THE ACCOUNT;
9	PERMITTING ONLY THE INTEREST AND DIVIDENDS EARNED ON THE ACCOUNT TO
10	BE APPROPRIATED; AND PROVIDING AN EFFECTIVE DATE.
11	This act affects sections of Utah Code Annotated 1953 as follows:
12	AMENDS:
13	63-97-101, as enacted by Chapter 78, Laws of Utah 1999
14	63-97-102, as enacted by Chapter 78, Laws of Utah 1999
15	ENACTS:
16	51-7-12.1 , Utah Code Annotated 1953
17	Be it enacted by the Legislature of the state of Utah:
18	Section 1. Section 51-7-12.1 is enacted to read:
19	51-7-12.1. Deposit or investment of Tobacco Settlement Endowment Authorized
20	deposits and investment Asset manager.
21	(1) Notwithstanding the requirements of Section 51-7-11, monies in the Tobacco
22	Settlement Endowment established by Section 63-97-102 shall be deposited or invested only in
23	the following:
24	(a) any deposit or investment authorized by Section 51-7-11;
25	(b) equity securities, including common and preferred stock issued by corporations listed
26	on a major securities exchange, in accordance with the following criteria applied at the time of
27	investment:

H.B. 390 02-08-00 3:40 PM

28	(i) the treasurer may not invest more than 5%, determined on a cost basis, of the total
29	endowment assets in the securities of any one issuer;
30	(ii) the treasurer may not invest more than 25%, determined on a cost basis, of the total
31	endowment assets in a particular industry;
32	(iii) the treasurer may not invest more than 5%, determined on a cost basis, of the total
33	endowment assets in securities of corporations that have been in continuous operation for less than
34	three years;
35	(iv) the endowment may not hold in excess of 5% of the outstanding voting securities of
36	any one corporation; and
37	(v) at least 75% of the corporations in which investments are made under Subsection (1)(b)
38	must appear on the Standard and Poor's 500 Composite Stock Price Index;
39	(c) fixed-income securities, including bonds, notes mortgage securities, zero coupon
40	securities, and convertible securities issued by domestic corporations rated A or higher by Moody's
41	Investor's Service, Inc. or by Standard and Poor's Corporation in accordance with the following
42	criteria applied at the time of investment:
43	(i) the treasurer may not invest more than 5%, determined on a cost basis, of the total
44	endowment assets in the securities of any one issuer;
45	(ii) the treasurer may not invest more than 25%, determined on a cost basis, of the total
46	endowment assets in a particular industry;
47	(iii) the treasurer may not invest more than 5%, determined on a cost basis, of the total
48	fund assets in the securities of corporations that have been in continuous operation for less than
49	three years; and
50	(iv) the dollar-weighted average maturity of fixed-income securities acquired under
51	Subsection (1)(c), may not exceed ten years;
52	(d) fixed-income securities issued by agencies of the United States and
53	government-sponsored organizations, including mortgage-backed pass-through certificates and
54	mortgage-backed bonds;
55	(e) shares of an open-end diversified management investment company established under
56	the Investment Companies Act of 1940; and
57	(f) shares of or deposits in a pooled-investment program.
58	(2) (a) No more than 65% of the total fund assets of any of this endowment, on a cost

02-08-00 3:40 PM H.B. 390

59	basis, may be invested in common or preferred stocks at any one time.
60	(b) At least 35% of the total assets of this endowment shall be invested in fixed-income
61	securities authorized by Subsections (1)(a), (c), and (d).
62	(3) The treasurer shall use appropriate investment strategies to protect the principal of the
63	endowment administered under this section during periods of financial market volatility.
64	(4) (a) The treasurer may employ professional asset managers to assist in the investment
65	of assets of the endowment.
66	(b) The treasurer may provide compensation to asset managers from earnings generated
67	by the funds' investments.
68	(5) The council shall give suggestions, advice, and opinions to the treasurer in regard to
69	this section.
70	Section 2. Section 63-97-101 is amended to read:
71	CHAPTER 97. TOBACCO SETTLEMENT ENDOWMENT
72	63-97-101. Title.
73	This chapter is known as the "Tobacco Settlement [Account] Endowment."
74	Section 3. Section 63-97-102 is amended to read:
75	63-97-102. Creation of restricted account.
76	(1) There is created within the General Fund a restricted account known as the Tobacco
77	Settlement [Account] Endowment.
78	(2) Monies in the account shall be deposited or invested pursuant to Section 51-7-12.1.
79	[(2)] (3) The account shall consist of:
80	(a) all funds received by the state that are related to the settlement agreement that the state
81	entered into with leading tobacco manufacturers on November 23, 1998[-];
82	(b) capital gains on assets in the account; and
83	(c) interest and dividends earned on investments.
84	(4) Tobacco settlement funds and capital gains in the account pursuant to Subsections
85	(3)(a) and (b) shall be treated as principal and may not be appropriated for any purpose, but shall
86	remain in the account for the purpose of earning interest and dividends to be appropriated in
87	accordance with Subsection (5).
88	[(3) Funds in] (5) Interest and dividends earned on the account may only be used as
89	directed by the Legislature through appropriation.

H.B. 390 02-08-00 3:40 PM

90 Section 4. **Effective date.**

This act takes effect on July 1, 2000.

Legislative Review Note as of 2-7-00 6:56 AM

A limited legal review of this legislation raises no obvious constitutional or statutory concerns.

Office of Legislative Research and General Counsel