

MONEY MANAGEMENT ACT UPDATES

2008 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Paul A. Neuenschwander

Senate Sponsor: Kevin T. VanTassell

LONG TITLE

General Description:

This bill makes a clarifying modification in the list of federal government obligations in which public treasurers are authorized to invest public funds.

Highlighted Provisions:

This bill:

- ▶ removes obligations issued by the Student Loan Marketing Association from the list of approved investments; and
- ▶ clarifies that an authorized agency or instrumentality that becomes private and is no longer considered to be a government agency is no longer authorized as an approved investment for public funds.

Monies Appropriated in this Bill:

None

Other Special Clauses:

None

Utah Code Sections Affected:

AMENDS:

51-7-11, as last amended by Laws of Utah 2007, Chapter 207

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 Subsection (1)(b), a public treasurer may conduct

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

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

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

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

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

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

41 (i) Government National Mortgage Association mortgage pools;

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

43 (iii) Federal National Mortgage Corporation mortgage pools;

44 (iv) Small Business Administration loan pools;

45 (v) Federal Agriculture Mortgage Corporation pools; or

46 (vi) other investments authorized by this section;

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

49 (i) Government National Mortgage Association mortgage pools;

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

51 (iii) Federal National Mortgage Corporation mortgage pools;

52 (iv) Small Business Administration loan pools; or

53 (v) other investments authorized by this section;

54 (d) commercial paper that is classified as "first tier" by two nationally recognized
55 statistical rating organizations, one of which must be Moody's Investors Service or Standard
56 and Poor's, which has a remaining term to maturity of 270 days or less;

57 (e) bankers' acceptances that:

- 58 (i) are eligible for discount at a Federal Reserve bank; and
- 59 (ii) have a remaining term to maturity of 270 days or less;
- 60 (f) fixed rate negotiable deposits issued by a permitted depository that have a remaining
- 61 term to maturity of 365 days or less;
- 62 (g) obligations of the United States Treasury, including United States Treasury bills,
- 63 United States Treasury notes, and United States Treasury bonds;
- 64 (h) obligations other than mortgage pools and other mortgage derivative products
- 65 issued by, or fully guaranteed as to principal and interest by, the following agencies or
- 66 instrumentalities of the United States in which a market is made by a primary reporting
- 67 government securities dealer, unless the agency or instrumentality has become private and is no
- 68 longer considered to be a government entity:
 - 69 (i) Federal Farm Credit banks;
 - 70 (ii) Federal Home Loan banks;
 - 71 (iii) Federal National Mortgage Association;
 - 72 [~~(iv)~~] ~~Student Loan Marketing Association;~~
 - 73 [~~(v)~~] (iv) Federal Home Loan Mortgage Corporation;
 - 74 [~~(vi)~~] (v) Federal Agriculture Mortgage Corporation; and
 - 75 [~~(vii)~~] (vi) Tennessee Valley Authority;
- 76 (i) fixed rate corporate obligations that:
 - 77 (i) are rated "A" or higher or the equivalent of "A" or higher by two nationally
 - 78 recognized statistical rating organizations, one of which must be by Moody's Investors Service
 - 79 or Standard and Poor's;
 - 80 (ii) are publicly traded; and
 - 81 (iii) have a remaining term to final maturity of 365 days or less or is subject to a hard
 - 82 put at par value or better, within 365 days;
 - 83 (j) tax anticipation notes and general obligation bonds of the state or of any county,
 - 84 incorporated city or town, school district, or other political subdivision of this state, including
 - 85 bonds offered on a when-issued basis without regard to the limitation in Subsection (7);

86 (k) bonds, notes, or other evidence of indebtedness of any county, incorporated city or
87 town, school district, or other political subdivision of the state that are payable from
88 assessments or from revenues or earnings specifically pledged for payment of the principal and
89 interest on these obligations, including bonds offered on a when-issued basis without regard to
90 the limitation in Subsection (7);

91 (l) shares or certificates in a money market mutual fund as defined in Section 51-7-3;

92 (m) variable rate negotiable deposits that:

93 (i) are issued by a qualified depository or a permitted depository;

94 (ii) are repriced at least semiannually; and

95 (iii) have a remaining term to final maturity not to exceed two years;

96 (n) variable rate securities that:

97 (i) (A) are rated "A" or higher or the equivalent of "A" or higher by two nationally
98 recognized statistical rating organizations, one of which must be by Moody's Investors Service
99 or Standard and Poor's;

100 (B) are publicly traded;

101 (C) are repriced at least semiannually; and

102 (D) have a remaining term to final maturity not to exceed two years or are subject to a
103 hard put at par value or better, within 365 days; and

104 (ii) are not mortgages, mortgage-backed securities, mortgage derivative products, or
105 any security making unscheduled periodic principal payments other than optional redemptions.

106 (4) The following public funds are exempt from the requirements of Subsection (3):

107 (a) the Employers' Reinsurance Fund created in Section 34A-2-702;

108 (b) the Uninsured Employers' Fund created in Section 34A-2-704; and

109 (c) a local government other post-employment benefits trust fund under Section
110 51-7-12.2.

111 (5) If any of the deposits authorized by Subsection (3)(a) are negotiable or
112 nonnegotiable large time deposits issued in amounts of \$100,000 or more, the interest shall be
113 calculated on the basis of the actual number of days divided by 360 days.

114 (6) A public treasurer may maintain fully insured deposits in demand accounts in a
115 federally insured nonqualified depository only if a qualified depository is not reasonably
116 convenient to the entity's geographic location.

117 (7) The public treasurer shall ensure that all purchases and sales of securities are settled
118 within 15 days of the trade date.