MONEY MANAGEMENT ACT AMENDMENTS

2011 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Jim Bird

Senate Sponsor: Peter C. Knudson

LONG TITLE

General Description:

This bill modifies the Money Management Act by amending provisions for the investment of public funds by a public treasurer.

Highlighted Provisions:

This bill:

- amends the remaining term to maturity required for commercial paper used as an investment of public funds;
- requires that fixed rate corporate obligations and variable rate securities be senior unsecured obligations of the issuer to be an allowable investment for public funds;
- extends the allowable remaining term to final maturity for certain first tier commercial paper to 365 days or less;
- allows 30 days instead of 15 days for settlement of new purchases of sales of securities; and
- makes technical changes.

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 2008, Chapter 324

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

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

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

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

(a) negotiable or nonnegotiable deposits of qualified depositories;

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

(i) Government National Mortgage Association mortgage pools;

(ii) Federal Home Loan Mortgage Corporation mortgage pools;

(iii) Federal National Mortgage Corporation mortgage pools;

(iv) Small Business Administration loan pools;

(v) Federal Agriculture Mortgage Corporation pools; or

(vi) other investments authorized by this section;

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

(i) Government National Mortgage Association mortgage pools;

(ii) Federal Home Loan Mortgage Corporation mortgage pools;

(iii) Federal National Mortgage Corporation mortgage pools;

(iv) Small Business Administration loan pools; or

(v) other investments authorized by this section;

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

(i) 270 days or less[~~;~~] for paper issued under 15 U.S.C. Sec. 77c(a)(3); or

(ii) 365 days or less for paper issued under 15 U.S.C. Sec. 77d(2);

(e) bankers' acceptances that:

(i) are eligible for discount at a Federal Reserve bank; and

(ii) have a remaining term to maturity of 270 days or less;

(f) fixed rate negotiable deposits issued by a permitted depository that have a remaining term to maturity of 365 days or less;

(g) obligations of the United States Treasury, including United States Treasury bills, United States Treasury notes, and United States Treasury bonds;

(h) obligations other than mortgage pools and other mortgage derivative products issued by, or fully guaranteed as to principal and interest by, the following agencies or instrumentalities of the United States in which a market is made by a primary reporting government securities dealer, unless the agency or instrumentality has become private and is no longer considered to be a government entity:

(i) Federal Farm Credit banks;

(ii) Federal Home Loan banks;

(iii) Federal National Mortgage Association;

(iv) Federal Home Loan Mortgage Corporation;

(v) Federal Agriculture Mortgage Corporation; and

(vi) Tennessee Valley Authority;

(i) fixed rate corporate obligations that:

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

(ii) are senior unsecured obligations of the issuer;

[~~(ii)~~] (iii) are publicly traded; and

[~~(iii)~~] (iv) have a remaining term to final maturity of [~~365 days~~] 13 months or less or is subject to a hard put at par value or better, within 365 days;

(j) tax anticipation notes and general obligation bonds of the state or of any county, incorporated city or town, school district, or other political subdivision of this state, including bonds offered on a when-issued basis without regard to the limitation in Subsection (7);

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

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

(m) variable rate negotiable deposits that:

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

(ii) are repriced at least semiannually; and

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

(n) variable rate securities that:

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

(B) are senior unsecured obligations of the issuer;

[~~(B)~~] (C) are publicly traded;

[~~(C)~~] (D) are repriced at least semiannually; and

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

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

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

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

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

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

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

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

(7) The public treasurer shall ensure that all purchases and sales of securities are settled within:

(a) 15 days of the trade date[~~.~~] for outstanding issues; and

(b) 30 days on new issues.