

Representative John Knotwell proposes the following substitute bill:

MONEY MANAGEMENT ACT AMENDMENTS

2017 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: John Knotwell

Senate Sponsor: Curtis S. Bramble

LONG TITLE

General Description:

This bill modifies the State Money Management Act by amending provisions relating to money management.

Highlighted Provisions:

This bill:

- ▶ amends definitions;
- ▶ specifies the term to final maturity for certain deposits or investments that are invested by a public agency insurance mutual;
- ▶ authorizes the state treasurer, county, city, and town treasurers, the clerk or treasurer of each school district, and other public treasurers to procure crime or theft insurance;
- ▶ provides that the State Money Management Council may authorize an exception to certain maturity dates in certain circumstances; and
- ▶ makes technical and conforming changes.

Money Appropriated in this Bill:

None

Other Special Clauses:

None



26 **Utah Code Sections Affected:**

27 AMENDS:

28 **51-7-3**, as last amended by Laws of Utah 2013, Chapters 204 and 388

29 **51-7-11**, as last amended by Laws of Utah 2015, Chapter 171

30 **51-7-15**, as last amended by Laws of Utah 2013, Chapters 278 and 388

31 **51-7-23**, as last amended by Laws of Utah 2015, Chapter 171

32

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

34 Section 1. Section **51-7-3** is amended to read:

35 **51-7-3. Definitions.**

36 As used in this chapter:

37 (1) "Agent" means "agent" as defined in Section **61-1-13**.

38 (2) "Certified dealer" means:

39 (a) a primary reporting dealer recognized by the Federal Reserve Bank of New York

40 who is certified by the director as having met the applicable criteria of council rule; or

41 (b) a broker dealer who:

42 (i) has and maintains an office and a resident registered principal in the state;

43 (ii) meets the capital requirements established by council rules;

44 (iii) meets the requirements for good standing established by council rule; and

45 (iv) is certified by the director as meeting quality criteria established by council rule.

46 (3) "Certified investment adviser" means a federal covered adviser, as defined in
47 Section **61-1-13**, or an investment adviser, as defined in Section **61-1-13**, who is certified by
48 the director as having met the applicable criteria of council rule.

49 (4) "Commissioner" means the commissioner of financial institutions.

50 (5) "Council" means the State Money Management Council created by Section
51 **51-7-16**.

52 (6) "Covered bond" means a publicly placed debt security issued by a bank, other
53 regulated financial institution, or a subsidiary of either that is secured by a pool of loans that
54 remain on the balance sheet of the issuer or its subsidiary.

55 (7) "Director" means the director of the Utah State Division of Securities of the
56 Department of Commerce.

57 (8) (a) "Endowment funds" means gifts, devises, or bequests of property of any kind
58 donated to a higher education institution from any source.

59 (b) "Endowment funds" does not mean money used for the general operation of a
60 higher education institution that is received by the higher education institution from:

- 61 (i) state appropriations;
- 62 (ii) federal contracts;
- 63 (iii) federal grants;
- 64 (iv) private research grants; and
- 65 (v) tuition and fees collected from students.

66 (9) "First tier commercial paper" means commercial paper rated by at least two
67 nationally recognized statistical rating organizations in the highest short-term rating category.

68 (10) "Funds functioning as endowments" means funds, regardless of source, whose
69 corpus is intended to be held in perpetuity by formal institutional designation according to the
70 institution's policy for designating those funds.

71 (11) "GASB" or "Governmental Accounting Standards Board" means the
72 Governmental Accounting Standards Board that is responsible for accounting standards used
73 by public entities.

74 (12) "Hard put" means an unconditional sell-back provision or a redemption provision
75 applicable at issue to a note or bond, allowing holders to sell their holdings back to the issuer
76 or to an equal or higher-rated third party provider at specific intervals and specific prices
77 determined at the time of issuance.

78 (13) "Higher education institution" means the institutions specified in Section
79 [53B-1-102](#).

80 (14) "Investment adviser representative" is as defined in Section [61-1-13](#).

81 (15) (a) "Investment agreement" means any written agreement that has specifically
82 negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate.

83 (b) "Investment agreement" includes any agreement to supply investments on one or
84 more future dates.

85 (16) "Local government" means a county, municipality, school district, local district
86 under Title 17B, Limited Purpose Local Government Entities - Local Districts, special service
87 district under Title 17D, Chapter 1, Special Service District Act, or any other political

88 subdivision of the state.

89 (17) "Market value" means market value as defined in the Master Repurchase
90 Agreement.

91 (18) "Master Repurchase Agreement" means the current standard Master Repurchase
92 Agreement approved by the Public Securities Association or by any successor organization.

93 (19) "Maximum amount" means, with respect to qualified depositories, the total
94 amount of:

95 (a) deposits in excess of the federal deposit insurance limit; and

96 (b) nonqualifying repurchase agreements.

97 (20) "Money market mutual fund" means an open-end managed investment fund:

98 (a) that complies with the diversification, quality, and maturity requirements of Rule
99 2a-7 or any successor rule of the Securities and Exchange Commission applicable to money
100 market mutual funds; and

101 (b) that assesses no sales load on the purchase of shares and no contingent deferred
102 sales charge or other similar charges, however designated.

103 (21) "Nationally recognized statistical rating organization" means an organization that
104 has been designated as a nationally recognized statistical rating organization by the Securities
105 and Exchange Commission's Division of Market Regulation.

106 (22) "Nonqualifying repurchase agreement" means a repurchase agreement evidencing
107 indebtedness of a qualified depository arising from the transfer of obligations of the United
108 States Treasury or other authorized investments to public treasurers that is:

109 (a) evidenced by a safekeeping receipt issued by the qualified depository;

110 (b) included in the depository's maximum amount of public funds; and

111 (c) valued and maintained at market value plus an appropriate margin collateral
112 requirement based upon the term of the agreement and the type of securities acquired.

113 (23) "Operating funds" means current balances and other funds that are to be disbursed
114 for operation of the state government or any of its boards, commissions, institutions,
115 departments, divisions, agencies, or other similar instrumentalities, or any county, city, school
116 district, political subdivision, or other public body.

117 (24) "Permanent funds" means funds whose principal may not be expended, the
118 earnings from which are to be used for purposes designated by law.

119 (25) "Permitted depository" means any out-of-state financial institution that meets
120 quality criteria established by rule of the council.

121 (26) "Public funds" means money, funds, and accounts, regardless of the source from
122 which the money, funds, and accounts are derived, that are owned, held, or administered by the
123 state or any of its boards, commissions, institutions, departments, divisions, agencies, bureaus,
124 laboratories, or other similar instrumentalities, or any county, city, school district, political
125 subdivision, or other public body.

126 (27) (a) "Public money" means "public funds."

127 (b) "Public money," as used in Article VII, Sec. 15, Utah Constitution, means the same
128 as "state funds."

129 (28) "Public treasurer" includes the state treasurer and the official of any state board,
130 commission, institution, department, division, agency, or other similar instrumentality, or of
131 any county, city, school district, charter school, political subdivision, or other public body who
132 has the responsibility for the safekeeping and investment of any public funds.

133 (29) "Qualified depository" means a Utah depository institution or an out-of-state
134 depository institution, as those terms are defined in Section 7-1-103, that is authorized to
135 conduct business in this state under Section 7-1-702 or Title 7, Chapter 19, Acquisition of
136 Failing Depository Institutions or Holding Companies, whose deposits are insured by an
137 agency of the federal government and that has been certified by the commissioner of financial
138 institutions as having met the requirements established under this chapter and the rules of the
139 council to be eligible to receive deposits of public funds.

140 (30) "Qualifying repurchase agreement" means a repurchase agreement evidencing
141 indebtedness of a financial institution or government securities dealer acting as principal
142 arising from the transfer of obligations of the United States Treasury or other authorized
143 investments to public treasurers only if purchased securities are:

144 (a) delivered to the public treasurer's safekeeping agent or custodian as contemplated
145 by Section 7 of the Master Repurchase Agreement; and

146 (b) valued and maintained at market value plus an appropriate margin collateral
147 requirement based upon the term of the agreement and the type of securities acquired.

148 (31) "Reciprocal deposits" means deposits that are initially deposited into a qualified
149 depository and are then redeposited through a deposit account registry service:

150 (a) in one or more FDIC-insured depository institutions in amounts up to the relevant
151 FDIC-insured deposit limit for a depositor in each depository institution; and

152 (b) in exchange for reciprocal FDIC-insured deposits made through the deposit account
153 registry service to the qualified depository.

154 (32) "Securities division" means Utah's Division of Securities created within the
155 Department of Commerce by Section 13-1-2.

156 (33) "State funds" means:

157 (a) public money raised by operation of law for the support and operation of the state
158 government; and

159 (b) all other money, funds, and accounts, regardless of the source from which the
160 money, funds, or accounts are derived, that are owned, held, or administered by the state or any
161 of its boards, commissions, institutions, departments, divisions, agencies, bureaus, laboratories,
162 or other similar instrumentalities.

163 Section 2. Section 51-7-11 is amended to read:

164 **51-7-11. Authorized deposits or investments of public funds.**

165 (1) (a) Except as provided in Subsections (1)(b) and (1)(c), a public treasurer shall
166 conduct investment transactions through qualified depositories, certified dealers, or directly
167 with issuers of the investment securities.

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

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

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

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

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

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

179 (i) Government National Mortgage Association mortgage pools;

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

- 181 (iii) Federal National Mortgage Corporation mortgage pools;
- 182 (iv) Small Business Administration loan pools;
- 183 (v) Federal Agriculture Mortgage Corporation pools; or
- 184 (vi) other investments authorized by this section;
- 185 (c) qualifying repurchase agreements and reverse repurchase agreements with certified
- 186 dealers, permitted depositories, or qualified depositories using collateral consisting of:
- 187 (i) Government National Mortgage Association mortgage pools;
- 188 (ii) Federal Home Loan Mortgage Corporation mortgage pools;
- 189 (iii) Federal National Mortgage Corporation mortgage pools;
- 190 (iv) Small Business Administration loan pools; or
- 191 (v) other investments authorized by this section;
- 192 (d) commercial paper that is classified as "first tier" by two nationally recognized
- 193 statistical rating organizations, which has a remaining term to maturity of:
- 194 (i) 270 days or fewer for paper issued under 15 U.S.C. Sec. 77c(a)(3); or
- 195 (ii) 365 days or fewer for paper issued under 15 U.S.C. Sec. 77d(2);
- 196 (e) bankers' acceptances that:
- 197 (i) are eligible for discount at a Federal Reserve bank; and
- 198 (ii) have a remaining term to maturity of 270 days or fewer;
- 199 (f) fixed rate negotiable deposits issued by a permitted depository that have a
- 200 remaining term to maturity of 365 days or fewer;
- 201 (g) obligations of the United States Treasury, including United States Treasury bills,
- 202 United States Treasury notes, and United States Treasury bonds that, unless the funds invested
- 203 are pledged or otherwise deposited in an irrevocable trust escrow account, have a remaining
- 204 term to final maturity of:
- 205 (i) five years or less; ~~[or]~~
- 206 (ii) if the funds are invested by an institution of higher education as defined in Section
- 207 [53B-3-102](#), a city of the first class, or a county of the first class, 10 years or less; or
- 208 (iii) if the funds are invested by a public agency insurance mutual, as defined in
- 209 Subsection [31A-1-103\(7\)\(a\)](#), 20 years or less;
- 210 (h) obligations other than mortgage pools and other mortgage derivative products that:
- 211 (i) are issued by, or fully guaranteed as to principal and interest by, the following

212 agencies or instrumentalities of the United States in which a market is made by a primary
213 reporting government securities dealer, unless the agency or instrumentality has become private
214 and is no longer considered to be a government entity:

215 (A) Federal Farm Credit banks;

216 (B) Federal Home Loan banks;

217 (C) Federal National Mortgage Association;

218 (D) Federal Home Loan Mortgage Corporation;

219 (E) Federal Agriculture Mortgage Corporation; and

220 (F) Tennessee Valley Authority; and

221 (ii) unless the funds invested are pledged or otherwise deposited in an irrevocable trust
222 escrow account, have a remaining term to final maturity of:

223 (A) five years or less; [~~or~~]

224 (B) if the funds are invested by an institution of higher education as defined in Section
225 [53B-3-102](#), a city of the first class, or a county of the first class, 10 years or less; or

226 (C) if the funds are invested by a public agency insurance mutual, as defined in

227 Subsection [31A-1-103\(7\)\(a\)](#), 20 years or less;

228 (i) fixed rate corporate obligations that:

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

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

232 (iii) are publicly traded; and

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

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

240 (i) five years or less; [~~or~~]

241 (ii) if the funds are invested by an institution of higher education as defined in Section
242 [53B-3-102](#), a city of the first class, or a county of the first class, 10 years or less; or

243 (iii) if the funds are invested by a public agency insurance mutual, as defined in
244 Subsection 31A-1-103(7)(a), 20 years or less;

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

252 (i) five years or less; [~~or~~]

253 (ii) if the funds are invested by an institution of higher education as defined in Section
254 53B-3-102, a city of the first class, or a county of the first class, 10 years or less; or

255 (iii) if the funds are invested by a public agency insurance mutual, as defined in
256 Subsection 31A-1-103(7)(a), 20 years or less;

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

258 (m) variable rate negotiable deposits that:

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

260 (ii) are repriced at least semiannually; and

261 (iii) have a remaining term to final maturity not to exceed three years;

262 (n) variable rate securities that:

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

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

266 (C) are publicly traded;

267 (D) are repriced at least semiannually; and

268 (E) have a remaining term to final maturity not to exceed three years or are subject to a
269 hard put at par value or better, within 365 days;

270 (ii) are not mortgages, mortgage-backed securities, mortgage derivative products, or a
271 security making unscheduled periodic principal payments other than optional redemptions; and

272 (o) reciprocal deposits made in accordance with Subsection 51-7-17(4).

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

- 274 (a) the Employers' Reinsurance Fund created in Section [34A-2-702](#);
- 275 (b) the Uninsured Employers' Fund created in Section [34A-2-704](#);
- 276 (c) a local government other post-employment benefits trust fund under Section
- 277 [51-7-12.2](#); and
- 278 (d) a nonnegotiable deposit made in accordance with Section [53B-7-601](#) in a foreign
- 279 depository institution as defined in Section [7-1-103](#).
- 280 (5) If any of the deposits authorized by Subsection (3)(a) are negotiable or
- 281 nonnegotiable large time deposits issued in amounts of \$100,000 or more, the interest shall be
- 282 calculated on the basis of the actual number of days divided by 360 days.
- 283 (6) A public treasurer may maintain fully insured deposits in demand accounts in a
- 284 federally insured nonqualified depository only if a qualified depository is not reasonably
- 285 convenient to the entity's geographic location.
- 286 (7) Except as provided under Subsections (3)(j) and (k), the public treasurer shall
- 287 ensure that all purchases and sales of securities are settled within:
- 288 (a) 15 days of the trade date for outstanding issues; and
- 289 (b) 30 days for new issues.
- 290 Section 3. Section **51-7-15** is amended to read:
- 291 **51-7-15. Bonds of state treasurer and other public treasurers -- Reports to**
- 292 **council.**
- 293 (1) (a) The state treasurer, county, city, and town treasurers, the clerk or treasurer of
- 294 each school district, and other public treasurers that the council designates by rule shall be
- 295 bonded or may procure crime or theft insurance as allowed in Section [17-16-11](#) in an amount
- 296 of not less than that established by the council.
- 297 (b) The council shall base the minimum bond amount or crime or theft insurance as
- 298 allowed in Section [17-16-11](#) on the amount of public funds normally in the treasurer's
- 299 possession or control.
- 300 (2) (a) When a public treasurer deposits or invests public funds as authorized by this
- 301 chapter, the public treasurer and the public treasurer's bondsmen or insurers are not liable for
- 302 any loss of public funds invested or deposited unless the loss is caused by the malfeasance of
- 303 the public treasurer or a member of the public treasurer's staff.
- 304 (b) A public treasurer and the public treasurer's bondsmen or insurers are liable for a

305 loss for any reason from deposits or investments not made in conformity with this chapter and
306 the rules of the council.

307 (3) (a) A public treasurer shall file a written report with the council on or before January
308 31 and July 31 of each year.

309 (b) The report shall contain:

310 (i) the information about the deposits and investments of that public treasurer during
311 the preceding six months ending December 31 and June 30, respectively, that the council
312 requires by rule; and

313 (ii) information detailing the nature and extent of interest rate contracts permitted by
314 Subsection [51-7-17\(3\)](#).

315 (c) A public treasurer shall make copies of the report available to the public at the
316 public treasurer's office during normal business hours.

317 Section 4. Section **51-7-23** is amended to read:

318 **51-7-23. Transition of investments previously authorized.**

319 (1) Any investment held by a public treasurer that as of June 30, 2015, is not in
320 compliance with the provisions of this chapter is subject to review by the council.

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

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

325 (c) The council may authorize, with substantial justification, an exception to the
326 five-year maturity requirements of Section [51-7-11](#).