

Stricken language would be deleted from and underlined language would be added to present law.

State of Arkansas  
89th General Assembly  
Regular Session, 2013

As Engrossed: S3/20/13 S3/25/13  
**A Bill**

SENATE BILL 838

By: Senators Rapert, Caldwell, J. Dismang, Irvin, J. Key, B. King, G. Stubblefield  
By: Representative Dale

### **For An Act To Be Entitled**

AN ACT TO REGULATE STATE TREASURY MANAGEMENT  
PRACTICES AND PROCEDURES; TO PROVIDE FOR THE PRUDENT  
INVESTMENT AND MANAGEMENT OF STATE TREASURY FUNDS;  
AND FOR OTHER PURPOSES.

### **Subtitle**

TO REGULATE STATE TREASURY MANAGEMENT  
PRACTICES AND PROCEDURES; AND TO PROVIDE  
FOR THE PRUDENT INVESTMENT AND MANAGEMENT  
OF STATE TREASURY FUNDS.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

SECTION 1. Arkansas Code Title 19, Chapter 3, is amended to add an additional subchapter to read as follows:

Subchapter 7 – State Board of Finance

19-3-701. State Board of Finance – Creation – Members.

(a) The State Board of Finance is created.

(b) The board shall be composed of the following members:

(1) The Governor;

(2) The Treasurer of State;

(3) The Auditor of State;

(4) The Bank Commissioner;

(5) The Director of the Department of Finance and Administration;

(6) The Securities Commissioner;



(7) One (1) person with knowledge and experience in commercial banking;

(8) One (1) person who:

(A) Holds or has held a Series 7 licensure as a general securities representative; and

(B) Has at least five (5) years of experience as a general securities representative;

(9) One (1) certified public accountant who:

(A) Is licensed in Arkansas; and

(B) Has at least five (5) years of experience as a certified public accountant; and

(10) One (1) member of the general public.

(c) A board member listed in subdivisions (b)(7)-(10) of this section:

(1) Shall serve a four-year term and may be reappointed, except that the board member shall serve an initial term of either one (1) year, two (2) years, three (3) years, or four (4) years as determined by lot in order to establish staggered terms in which the term of one (1) of the four (4) board members expires each year;

(2) Shall be paid a stipend of one hundred dollars (\$100) from funds appropriated to the Treasurer of State for participation in each board meeting;

(3) Shall not have a direct financial interest in a transaction between an investment depository or bank depository and the:

(A) Board; or

(B) Treasurer of State;

(4) Shall not be related within the second degree of consanguinity or affinity to a constitutional officer or a member of the General Assembly;

(5) Shall abstain from voting on an issue that affects the board member or the procedures, profits, or funding of a business or organization of which the board member is a member; and

(6) May be removed for cause by a majority vote of the board.

(d)(1) A member listed in subdivisions (b)(7) and (8) of this section shall be appointed and may be reappointed by the President Pro Tempore of the Senate.

(2) A member listed in subdivisions (b)(9) and (10) of this

section shall be appointed and may be reappointed by the Speaker of the House of Representatives.

(e) The Governor shall be chair of the board, and the Treasurer of State shall be the secretary, executive officer, and disbursing agent of the board.

19-3-702. Definitions.

As used in this subchapter:

(1) "Bank depository", "investment depository", "securities broker", and "State Treasury" have the meanings provided in § 19-3-502; and

(2)(A) "Direct financial interest" means the direct compensation or other remuneration to a person or a family member of a person that is attributable to an investment or a deposit of money or securities from the State Treasury.

(B) "Direct financial interest" does not include compensation from the investment or deposit of a person's own money or securities.

19-3-703. Meetings – Quorum – Staff.

(a)(1) Meetings of the State Board of Finance shall be held:

(A) At least quarterly:

(i) Upon the call of the Governor or by any three (3) or more members; and

(ii) Upon advance notice to each member; and

(B) At a place that is convenient for the board.

(2) The meetings shall be conducted in accordance with the Freedom of Information Act of 1967, § 25-19-101 et seq., and complete records of the proceedings shall be kept.

(b)(1) Seven (7) members shall constitute a quorum for the transaction of business.

(2) The affirmative vote of a majority of members present is required to adopt a motion or resolution.

(c) The staff of an elected or appointed official of the board may provide any assistance requested by the board.

19-3-704. Powers and duties.

(a) In addition to any other function, power, or duty imposed by law, the State Board of Finance shall establish, maintain, and enforce all policies and procedures concerning the management and investment of funds in the State Treasury and the State Treasury Money Trust Management Fund, including without limitation:

(1) Record keeping and reporting requirements that reflect:

(A) Daily, monthly, and year-to-date balances of all funds, accounts, and groups of accounts within the State Treasury; and

(B) The performance of all deposits and investments compared to the target rate of return established by the board;

(2) A collateralization policy;

(3) Eligibility requirements for a bank depository, an investment depository, a securities broker and, before accepting an application to hire an investment consultant under subsection (c) of this section, an investment consultant;

(4) An investment policy;

(5) Liquidity requirements for the State Treasury; and

(6) Qualifications, ethical standards, a conflict of interest policy, and criminal background check requirements that are no less stringent than the requirements of § 19-3-705 for all employees of the board or Treasurer of State who handle State Treasury funds or participate in decisions concerning the deposit or investment of State Treasury funds.

(b)(1) The board shall select the chief investment officer within the Treasurer of State's office based upon nominations received from the Treasurer of State.

(2) The chief investment officer shall:

(A) Be employed by the board;

(B) Work with and at the direction of the Treasurer of State consistent with the policies and directives of the board; and

(C) Serve at the pleasure of the board.

(c) The board may hire an investment consultant to examine the investment policies and investment practices for the State Treasury and make recommendations to the board including without limitation recommendations concerning:

(1) An appropriate range for asset allocation;

(2) A target rate of return;

(3) The propriety of using money managers and if desired, recommendations concerning money managers; and

(4) Adjustments to improve investment policies, investment allocations, or investment returns.

(d) The positions listed in subsections (b) and (c) of this section shall be funded by the appropriation for the Treasurer of State.

(e) The board may make, amend, adopt, and enforce rules and policies to regulate board procedure and execute board functions.

19-3-705. Employees – Qualifications, ethical standards, and background checks.

(a) An employee of the State Board of Finance or Treasurer of State listed in § 19-3-704(b) or (c) or who handles State Treasury funds or participates in decisions or making recommendations concerning the deposit or investment of State Treasury funds:

(1) Shall meet minimum standards of expertise and experience established by the board;

(2) Shall not have a direct financial interest in a bank depository, investment depository, or securities broker; and

(3) Shall file on or before January 31 with the board for the preceding calendar year the written statement of financial interest required by § 21-8-701(d).

(b)(1)(A) The Board shall obtain a state and federal criminal background check to be conducted by the Identification Bureau of the Department of Arkansas State Police and the Federal Bureau of Investigation for:

(i) Each employee listed in § 19-3-704(b) or (c);  
and

(ii) An employee or prospective employee of the board or Treasurer of State who handles or will handle State Treasury funds or participates or will participate in making decisions or recommendations concerning the deposit or investment of State Treasury funds.

(B) The background check shall be obtained on or before:

(i) September 1, 2013, for an existing employee; and  
(ii) The start of employment for a prospective employee.

(2) The state and federal criminal background check shall conform to the applicable federal standards and shall include the taking of fingerprints.

(3) The employee or prospective employee shall sign a consent to the release of information for the state and federal criminal background check.

(4) The Treasurer of State shall be responsible for the payment of any fee associated with the state and federal criminal background check.

(5) Upon completion of the state and federal criminal background check, the Identification Bureau of the Department of Arkansas State Police shall forward to the Chief Fiscal Officer of the State for review by the board all releasable information obtained concerning the employee or prospective employee.

(c) The board or Treasurer of State shall not employ an individual who has:

(1) Been convicted of a felony or a gambling offense in a state or federal court of the United States;

(2) Been convicted of a crime involving moral turpitude;

(3) Entered into a plea agreement to avoid felony prosecution;

(4) Been or is currently subject to an administrative order by the State Bank Department or State Securities Department;

(5) Failed without justification to file the statement of financial interest required by this section; or

(6) A conflict of interest that violates the board's policy established under § 19-3-704.

SECTION 2. Arkansas Code Title 19, Chapter 3, Subchapter 5, is amended to read as follows:

19-3-501. Title.

This subchapter shall be known and may be ~~referred to and~~ cited as the "State Treasury Management Law".

19-3-502. Definitions.

As used in this subchapter, ~~unless the context otherwise requires:~~

(1) "Bank" means:

(A) a state bank, or a national bank, or an out-of-state

state-chartered bank ~~which~~ that has received a certificate of authority under § 23-48-1001; ~~provided that such term shall also include any; and~~

(B) A foreign bank organized under the laws of a territory of the United States, Puerto Rico, Guam, American Samoa, or the Virgin Islands, if the deposits of which the foreign bank are insured by the Federal Deposit Insurance Corporation;

(2) "Bank depository" means a bank or savings and loan association that accepts a deposit of funds from the State Treasury;

~~(2)~~(3) "Capital base" means the sum of ~~its~~ a bank's capital stock, surplus, and undivided profits, plus any additions and less any subtractions which the commissioner may by regulation prescribe;

~~(3)~~(4) "Cash Account" means the asset account in the ~~Treasurer of State~~ State Treasury consisting of all cash;

(A) ~~in~~ In the hands of the ~~State~~ Treasurer of State; and

(B) ~~on~~ On deposit in the name of the Treasurer of State in a bank depository banks;

~~(4)~~(5) "Certificate of Deposit Account" means the asset account in the State Treasury consisting of all, but only, certificates of deposit acquired by the Treasurer of State through the State Treasury Certificate of Deposit Investment Program;

~~(5) "Commissioner" shall mean the Bank Commissioner;~~

(6) "Fund account" means a specifically named liability account in the State Treasury, to which, ~~as provided by law,~~ moneys are credited upon receipt ~~thereof~~ and charged upon withdrawal ~~therefrom~~ that:

(A) Is created or authorized by law; and

(B) Reflects the amount of money owed to an agency or instrumentality of the State of Arkansas;

~~(7) "Gross federal fund balances", "gross trust fund balances", or "gross state fund balances", with respect to a particular major group, means the aggregate total amount of the gross fund balances at any time standing to the credit of all funds of that particular group;~~

~~(8) "Gross fund balance", with respect to a particular named fund, means the balance at any time standing to the credit of that fund;~~

~~(9)~~(7) "Gross treasury fund balances" means the aggregate total amount of the balances standing to the credit of all funds on the records of the Treasurer of State;

~~(10) "Home state" means:~~

~~(A) With respect to a state chartered bank, the state by which the bank is chartered;~~

~~(B) With respect to a national bank, the state in which the main office of the bank is located; and~~

~~(C) With respect to a foreign bank, the state determined to be the home state of such foreign bank under 12 U.S.C. § 3103(e);~~

~~(11) "Host state" means a state, other than the home state of a bank, in which the bank maintains, or seeks to establish and maintain a branch;~~

~~(12) "Institution" and "depository" means a bank or savings and loan association as defined in subdivisions (1) and (21) of this section;~~

(8) "Investment depository" means a person or entity that accepts money or securities from the State Treasury for investment purposes;

~~(13) "Main banking office" or "main office" with respect to a bank, means the main banking office designated or provided for in the articles of incorporation of a state bank, and the main office designated or provided for in the articles of association of a national bank, at such identified location as shall have been or as hereafter may be approved by the commissioner, in the case of a state bank, or by the appropriate federal regulatory agency, in the case of a national bank;~~

~~(14)~~(9) "National bank" means a national banking association organized pursuant to 12 U.S.C. § 215b to carry on the business of banking under Title 12, Chapter 2, of the United States Code;

~~(15) "Net federal fund balances", "net trust fund balances", or "net state fund balances", with respect to a particular major group, means the aggregate total amount of the gross fund balances at any time standing to the credit of all funds of that particular group, less the total amount of unredeemed warrants drawn on the Treasurer of State against all funds of the same group;~~

~~(16) "Net fund balance", with respect to a particular named fund, means its gross fund balance less the total amount of unredeemed warrants drawn on the Treasurer of State against the same fund;~~

~~(17) "Net treasury fund balances" means gross treasury fund balances, less the total amount of all unredeemed warrants drawn on the Treasurer of State;~~

~~(18) “Out of state bank” means a bank whose home state is any state other than Arkansas;~~

~~(19) “Registered out of state bank” means an out of state bank which has a certificate of authority pursuant to the terms of § 23-48-1001 et seq.;~~

~~(20)~~(10) “Safekeeping Account” means the account in the State Treasury administered by the Treasurer of State for the benefit of other government entities consisting of all securities received by the Treasurer of State from the administrators of the several state retirement systems and other trust accounts;

~~(21)~~(11) “Savings and loan association” means a corporation carrying on the business of a savings and loan association or a building and loan association under a charter issued by this state, or any federal savings association or federal savings bank ~~which~~ that is chartered under federal law;

~~(22)~~(12) “Securities Account” means the asset account in the State Treasury consisting of all securities held by the Treasurer of State through its investment of gross state fund balances;

(13)(A) “Securities broker” means a person or entity that:

(i) Buys or sells an investment for the State Treasury; or

(ii) Receives any form of compensation or remuneration in connection with the purchase or sale of an investment of State Treasury funds.

(B) “Securities broker” includes a stock broker, a securities broker, an investment adviser, and any other person or entity that facilitates or helps to facilitate a transaction concerning an investment of State Treasury funds;

~~(23)~~(14) “State bank” means+

~~(A) A corporation created pursuant to either Act 113 of the Arkansas General Assembly of 1913 or Act 179 of the Arkansas General Assembly of 1969, or pursuant to any predecessor or successor act or acts of either of the foregoing, and existing and authorized under the laws of this state on May 30, 1997, to engage in a general commercial banking business; and~~

~~(B) A corporation organized under § 23-45-101 et seq., §~~

~~23-46-101 et seq., § 23-47-101 et seq., § 23-48-101 et seq., § 23-49-101 et seq., and § 23-50-101 et seq. and authorized thereunder to engage in a general commercial banking business a state bank as defined in § 23-45-102;~~

(15) "State Treasury" means all moneys, securities, and gross treasury fund balances administered by the Treasurer of State;

~~(24) "Treasurer of State" means the elected office of the Treasurer of the State of Arkansas; and~~

~~(25)~~(16) "Trust Deposit Account" means the asset account in the Treasurer of State State Treasury consisting of all, but only, certificates of deposit acquired administered by the Treasurer of State for and in behalf the benefit of the several retirement systems and other trust fund accounts;

(17) "Trust fund account" means a specifically named liability account designated by law as a trust fund in the State Treasury to which moneys are credited upon receipt and debited upon withdrawal, representing the balance owed by the State Treasury to agencies and instrumentalities of the State of Arkansas; and

(18) "Trust Investment Account" means the asset account in the State Treasury consisting of all, but only, securities administered by the Treasurer of State for the benefit of the several retirement systems and other trust fund accounts.

~~19-3-503. Composition of gross State Treasury fund balances Treasury accounts.~~

~~Gross treasury fund balances shall consist of the Cash Account, the Securities Account, the Trust Deposit Account, the Certificate of Deposit Account, and other accounts as deemed necessary; that is, the aggregate total amount of cash in the hands of the Treasurer of State and on deposit in the name of the Treasurer of State in bank depositories plus the principal amount of all securities held in the Securities Account. The Treasurer of State may create and rename accounts to ensure the proper accounting and administration of the State Treasury.~~

19-3-504. Record and report of ~~summary~~ financial transactions.

(a)(1)(A) The State Board of Finance shall:

(i) Establish the record-keeping requirements of the Treasurer of State for the State Treasury; and

(ii) Require that:

(a) The liability accounts of the State Treasury be recorded in amounts and sufficient detail to allow the identification of the governmental entity to which funds are owed;

(b) The asset accounts of the State Treasury be recorded in amounts and sufficient detail to identify the type of assets owned; and

(c) All accounts of the State Treasury be recorded using a basis of accounting approved by the board that is consistent with generally accepted accounting principles.

(B) The record-keeping requirements under subdivision (a)(1)(A) of this section:

(i) May exceed the requirements of this section; and

(ii) Shall include without limitation records

showing:

(a) The identity of each fund and category of funds; and

(b) A comparison of:

(1) Liquidity requirements established by the board and the State Treasury's actual liquidity; and

(2) The target rate of investment return established by the board and the State Treasury's actual rate of investment return.

(2)(A) ~~several funds~~ Each fund account shall be separately listed ~~separately~~ on the records of the Treasurer of State under ~~their~~ its ~~respective~~ major group ~~headings,~~ heading.

(B) ~~and with respect to~~ For each fund account, each group, and ~~all groups~~ each major group, the records shall reflect each day:

(A)(i)(a) Summary financial transactions for the day and cumulative summary financial transactions for the current fiscal year.

(b) ~~These~~ The summaries required by subdivision (a)(2)(B)(i)(a) of this section shall include:

(1) a A statement of:

(A) ~~Direct~~ receipts, ~~both direct~~

(B) ~~transfer,~~ Transfer receipts;

(C) ~~a statement of disbursements,~~

and by;

~~both~~ Disbursements by warrant redemption; and

(D) Disbursements by transfer;

and

(2) the The amount of uncollected checks legally charged off;

~~(B) (ii)~~ The credit balance ~~therein~~ at the close of business; and

~~(C) (iii)~~ The composition of gross treasury fund balances.

~~(2)(3)~~ (3) Additionally, the records shall reflect in summary form the total principal amount of securities held in trust in the Safekeeping Account ~~for each of the several retirement systems and other trust funds or accounts.~~

~~(3)(4)~~ (4) The enumeration of of requirements in this subsection ~~shall does not be construed as a limitation of:~~

(A) Limit the items of summary financial information ~~which that~~ may be included in ~~any such record, nor shall this requirement be so construed as to~~ the records or reports of the Treasurer of State; or

(B) exclude such Exclude other primary, ~~and such~~ subsidiary, ~~and~~ or auxiliary records as may be required by law, ~~or as kept~~ by the Treasurer of State ~~shall determine to keep~~, or as may be required of the Treasurer of State by the Chief Fiscal Officer of the State in the performance of the duties of the Treasurer of State ~~Treasurer's duties.~~

(b)(1) A daily and a monthly report ~~copy~~ of the ~~record of the summary financial transactions~~ information required by subsection (a) of this section shall be:

(A) prepared Prepared by the Treasurer of State and ~~be available~~ delivered to the Chief Fiscal Officer of the State; ~~and~~

~~(2)(B)~~ The report copy and the record of the summary financial transactions from which it was prepared shall be open Open to public inspection during normal business hours.

(2) A report of the information required by subsection (a) of this section shall be delivered to the Legislative Council and Division of Legislative Audit on January 1 and July 1 each year.

19-3-505. Disposition of moneys received by Treasurer of State.

(a)(1) The Treasurer of State shall issue receipts to ~~the respective~~ depositors of moneys ~~in~~ into the State Treasury.

(2) On the day of ~~the receipt thereof~~ or as soon ~~thereafter~~ as ~~may be done~~ practical, the moneys shall be credited to the ~~particular funds~~ entitled thereto appropriate fund as provided by law.

(b)(1) After credit to the ~~respective~~ appropriate funds, the moneys shall be:

(A) ~~commingled~~ Comingled with all other moneys in the ~~hands of the Treasurer of State~~ State Treasury; and

(B) ~~as soon as may be done after the receipt thereof, the moneys shall be deposited~~ Deposited in into bank depositories to the credit of the account of the Treasurer of State, or invested as prescribed in this subchapter.

(2) ~~Nothing in this~~ This subsection ~~shall be so construed as to~~ does not prohibit the Treasurer of State from keeping cash of the State Treasury in the Treasurer of State's office in ~~such~~ reasonable amounts ~~as shall be necessary~~ for the transaction of the day-to-day business of the office with persons and firms other than bank depositories.

19-3-506. Custodian of ~~various accounts~~ moneys and securities - Internal controls - Annual audit.

(a)(1) The Treasurer of State shall:

(A) ~~be~~ Be custodian of all moneys, securities, and certificates of deposit at any time held in the ~~Securities Account and, as custodian, shall be charged with their care. All such securities shall be recorded at cost~~ State Treasury; and

(B) Maintain all moneys and securities consistent with generally accepted accounting principles.

~~(b)(2) The Treasurer of State shall be custodian of all certificates of deposit which are at any time held in the Trust Deposit Account and, as custodian, shall be charged with their care. All certificates of deposit shall be recorded at cost and segregated under appropriate titles so as to reflect the total principal amount of the certificates at any time held for each of the several trust accounts.~~

~~(c) The Treasurer of State shall be custodian of all securities at any time held in the Safekeeping Account and, as custodian, shall be charged with~~

~~their safekeeping.~~ However, control of the disposition thereof shall be of securities is vested at all times, in the respective administrators of the several trust accounts for whom the securities are held. ~~All such securities shall be recorded at their par value and segregated under appropriate titles so as to reflect the total principal amount of securities at any time held for each of the trust accounts.~~

(b) To ensure the financial integrity of the State Treasury, the Treasurer of State shall:

(1) Establish and maintain effective internal controls over financial reporting and record keeping, including the monitoring of ongoing activities, and comply with the Arkansas Constitution and applicable laws, rules, contracts, and agreements;

(2) Establish and maintain effective internal controls to prevent and detect fraud;

(3) With respect to State Treasury funds or other public funds, notify the *Division of Legislative Audit* of all known fraud or suspected fraud or all known or suspected illegal acts involving the management or other employees of the Treasurer of State, the board, a bank depository, an investment depository, or a securities broker;

(4) Inform the division and the Chief Fiscal Officer of the State of any known material violations of the Arkansas Constitution or applicable statutes, rules, contracts, or agreements;

(5) Prepare records and reports in accordance with guidelines and timelines established by the Chief Fiscal Officer of the State to permit incorporation into the state's financial statements and to permit the audit of the state's financial statements and the records, reports, and financial statements of the Treasurer of State in a timely manner; and

(6) Make all financial records and related information available to the division, including the identification of significant personal or financial relationships between a director, officer, or employee of a bank depository, investment depository, or securities broker and an officer or employee of the Treasurer of State or board.

19-3-507. Bank depositories generally.

(a)~~(1)~~ Subject to the conditions and limitations provided in §§ 19-3-508 – 19-3-517, ~~any a~~ a bank or savings and loan association ~~as outlined in §~~

~~19-3-502(1) and (2)~~ may be designated as a bank depository of State Treasury moneys.

~~(2) The Treasurer of State, as custodian of such funds, shall be guided by these provisions in the handling and safeguarding of such funds any other law to the contrary notwithstanding.~~

~~(b)(1) Nothing contained in §§ 19-3-508 — 19-3-517 shall be so construed as to require any institution~~ A bank or savings and loan association is not required to act as a bank depository of State Treasury funds.

~~(2) However, the acceptance of a deposit of State Treasury funds by any institution shall carry with it the obligation of the institution requires a bank depository to observe all of the provisions of §§ 19-3-508 — 19-3-517 which are applicable to eligible depositories.~~

19-3-508. Deposits in ineligible institutions.

(a) The Treasurer of State ~~may~~ shall not deposit ~~any~~ State Treasury funds ~~in any~~ into an institution that is not ~~considered~~ eligible to be a bank depository under § 19-3-507, unless deposits in ~~such institutions~~ the institution are required to be made by other law or by resolution of a state board or commission duly adopted pursuant to the authority and requirement of other law.

~~(b) Nothing in this~~ The prohibition of subsection (a) of this section shall be applicable does not apply to funds ~~set aside in the State Treasury and immediately payable from the State Treasury that are~~ required by ~~out-of-state~~ to meet paying agents ~~for the specific purpose of meeting the~~ debt service requirements of ~~the direct general obligation bonds of the State of Arkansas outstanding at any time~~ bond obligations incurred by law.

19-3-509. Maximum amount of deposits and investments — Protection of State Treasury Funds.

~~(a) The maximum amount of State Treasury funds moneys and securities from the State Treasury held in certificates of deposit of any~~ by a bank depository ~~and in demand deposit accounts together~~ shall not exceed an amount equal to the total amount of the capital base of ~~that~~ the bank depository.

(b) An investment depository and a securities broker shall provide the Treasurer of State and State Board of Finance proof of:

(1) Securities investor protection coverage for each investment of State Treasury funds; and

(2) Compliance with fidelity bond requirements of the United States Securities and Exchange Commission.

19-3-510. Types of accounts for deposits.

(a)(1) ~~All State Treasury funds~~ Funds from the State Treasury deposited ~~in~~ into a bank depository or an investment depository institutions shall be credited to accounts in the name of the Treasurer of State.

(2) ~~All accounts which~~ Except as provided in § 19-3-512, the Treasurer of State ~~shall establish in any or all depository institutions~~ may ~~be determined by the Treasurer of State~~ establish accounts as either demand deposit accounts, certificates of deposit, or other accounts ~~as deemed necessary.~~

(b) The certificate of deposit account in ~~each such a bank~~ a bank depository ~~or an investment depository~~ shall consist of ~~state funds as~~ from the State Treasury deposited under the State Treasury Certificate of Deposit Investment Program and trust funds deposited for various trust funds.

(c) The demand deposit account in ~~each such a bank~~ a bank depository ~~or an investment depository~~ shall ~~be of such amount subject to § 19-3-509 as determined by the Treasurer of State and shall~~ consist of:

(1) All federal funds, as described in § 19-7-101 et seq.;

(2) Trust funds to the extent that ~~such~~ the trust funds are not invested in securities and certificates of deposit; and

(3) State funds to the extent that ~~such~~ the state funds are not invested in securities.

(d) ~~No treasury funds may~~ Funds from the State Treasury shall not be deposited ~~in any~~ into a bank depository ~~or an investment depository~~ except under the terms of a written agreement entered into between the Treasurer of State and the bank depository or investment depository, ~~the essential elements of which agreement shall be conformable to, or not inconsistent that~~ complies with, applicable state and federal law, rules, and regulations ~~promulgated thereunder.~~

19-3-511. Term of deposit – Interest.

(a)(1) ~~Interest~~ At a meeting called and held before the start of the

term of a certificate of deposit, the State Board of Finance shall determine the interest rate to be paid on certificates of deposit invested through the State Treasury Certificate of Deposit Investment Program shall be at a rate fixed by the State Board of Finance at a meeting duly called and held preceding the beginning date of the term of the certificate of deposit.

~~(2)(b)~~ The Treasurer of State and each bank depository shall enter into an agreement establishing the term or renewal term of the certificate of deposit ~~which shall be set by the State Board of Finance.~~

~~(3)(c)(1)~~ Notice of the date and time of the ~~holding of the meeting~~ shall be given by the ~~secretary of the board with publication of a notice of the meeting~~ Secretary of the State Board of Finance and published in a newspaper of statewide circulation ~~not less than~~ at least five (5) days ~~nor but no more than~~ fifteen (15) days ~~in advance of~~ before the meeting ~~date.~~

~~(A)(2)~~ At each ~~such~~ the meeting, ~~any~~ a person desiring to be heard shall be given the opportunity to express his or her views on any matter under consideration by the board.

~~(B)(3)~~ ~~The board shall give due consideration to all such views, together with such other and additional views as may be expressed by~~ After considering all views expressed and the views of its the board members, which it deems to be relevant. Thereafter, at the meeting, the board shall fix the rate of interest to be used by the Treasurer of State and paid by bank depositories during the next term ~~and direct its secretary to certify the amount thereof to the Treasurer of State.~~

19-3-512. Estimate of deposits not needed for operations and investment of funds not needed for immediate cash requirements.

~~(a)(1)~~ ~~The Treasurer of State~~ No less than quarterly, the State Board of Finance in conjunction with the Chief Fiscal Officer of the State, shall determine ~~what the~~ the amount of ~~state funds from the State Treasury will be~~ available ~~in the next period that may be placed by the State Board of Finance into~~ for deposit by the Treasurer of State into the State Treasury Certificate of Deposit Investment Program ~~as provided in § 19-3-519 during the next period. Interest shall be paid on these deposits as provided in § 19-3-511.~~

(2) The board shall direct the investment of all moneys that exceed the cash requirements needed to satisfy outstanding warrants and other

liquid obligations for the succeeding quarter.

(b)(1) At least ten (10) days before making the determination required by subsection (a) of this section and after reviewing current holdings in the State Treasury and all available revenue forecasts, appropriations, expenditure budgets, year-to-date expenditure reports, prior year expenditure trends, and any other pertinent information, the Chief Fiscal Officer of the State shall advise the board of the estimated amount of cash reserves expected to be needed by the Treasurer of State to purchase warrants in the next fiscal quarter.

(2) The board shall direct the Treasurer of State:

(A) To purchase warrants in the next fiscal quarter; and

(B) In the type and amount for deposit and investment of all holdings exceeding cash reserves for warrant purposes.

(c) The Treasurer of State, acting ministerially, shall have the authority to take such action and do such ~~may do all~~ things as shall be necessary to accomplish the ~~expressed~~ purposes and intent of this section.

19-3-513. Interest income on deposits.

(a) Interest from time to time due by ~~each~~ a bank depository on Cash Account demand deposit accounts and Certificate of Deposit Account certificates of deposit shall be paid ~~and transmitted on each due date to the Treasurer of State and in the manner authorized and prescribed as directed by~~ the Treasurer of State.

(b) ~~All such~~ The interest income shall be classified as trust fund income, and the net amount ~~thereof~~ of the interest income shall be credited to the Securities Reserve Fund.

19-3-514. List of deposits.

(a)(1) On or before the tenth day following the end of each calendar quarter ~~year~~, the Treasurer of State shall prepare a list of all bank depositories ~~and~~.

(2) For each bank depository, the list shall include the amounts of State Treasury funds on time deposit and on demand deposit ~~in each such depository~~ on the last day of business of the calendar quarter ~~year~~.

(b) ~~This~~ The list shall be maintained for public inspection at the Treasurer of State's office.

## 19-3-515. Charges on deposits.

(a)(1) ~~The Treasurer of State, acting ministerially, shall have the authority to enter into an agreement with any financial institution handling state funds~~ may contract with a bank depository or investment depository to pay processing fees for handling such funds of the State Treasury if it is deemed to be in the best interest of the State of Arkansas.

(2) The processing fees shall be paid by state warrant from appropriations to the Treasurer of State.

~~(b) In the absence of such an agreement, no depository of State Treasury funds~~ Unless authorized by its contract with the Treasurer of State, a bank depository or investment depository shall not make any charge for the handling of funds, and any claim based upon any such charge or purported charge shall be void of the State Treasury.

(c) A bank depository or investment depository shall not use compensating deposit balances to offset processing fees.

(d) A claim for a charge or processing fee in violation of this section is void.

## 19-3-516. Discontinuance as bank depository.

(a) ~~Any~~ A bank depository which shall refuse that refuses to cash upon presentation by the payee within thirty (30) days of issuance a any state warrant of five hundred dollars (\$500) or less ~~which is drawn on~~ upon the State Treasury or ~~any~~ a bank check of five hundred dollars (\$500) or less ~~which has been issued by a state agency when the check or warrant has been presented for payment within thirty (30) days of the date of issuance by the payee named therein shall;~~

(1) immediately be Be discontinued immediately as a bank depository ~~of State Treasury funds;~~ and,

(2) for For a period of time ~~to be~~ determined by the State Board of Finance, ~~shall~~ be ineligible for reinstatement as ~~such~~ a bank depository.

(b) ~~Nothing in this~~ This section ~~shall be so construed as to deprive any such~~ does not prevent a bank depository from:

(1) taking such Taking a reasonable time ~~as it may require~~ to make proper identification of the persons and signatures of payees named in ~~such~~ warrants or checks; or

~~(2) to indemnify any such depository~~ Seeking indemnification for any losses which it may sustain by reason of its from cashing any of the warrants or checks for persons other than the payees named ~~therein~~ in the warrants or checks.

19-3-517. Effect of proper deposits.

The deposit of State Treasury funds in accordance with ~~the provisions of §§ 19-3-507 – 19-3-516 shall relieve~~ relieves the Treasurer of State and the surety on the Treasurer of State's bond of ~~any and all~~ liability for the loss of ~~such~~ the funds by reason of the default or insolvency of ~~any a~~ a bank depository ~~of State Treasury funds.~~

19-3-518. Investments in securities and bank certificates of deposit.

(a)(1) ~~TRUST FUNDS.— In addition to securities of the character eligible under the laws of this state for the investment of the several trust funds on the records of the Treasurer of State, certificates~~ Trust fund accounts in the State Treasury may be invested in:

(A) Certificates of deposit of banks and savings and loan associations; and

(B) shall be Securities eligible for the investment of such funds under other law.

(2)(A) ~~The administrators~~ administrator of ~~each state retirement system and of other~~ a trust fund accounts account shall review, from time to time, ~~review~~ the flow of moneys through the trust fund account in the State Treasury ~~over which that administrator shall have control, all for the purpose of estimating the amounts of such moneys as may be~~ to determine the estimated surplus moneys in the trust fund account that exceed ~~to~~ the immediate requirements of ~~such~~ the trust fund account ~~as provided for by law.~~

(B)(i)(a) After taking into consideration ~~any proposal for the immediate investment of such funds in securities, and to the extent of the amount of any~~ the estimated surplus which shall exist moneys under subdivision (a)(2)(A) of this section, the administrator shall certify to the Treasurer of State the amount ~~thereof~~ of surplus moneys and the period of time during which ~~such amount shall~~ the surplus moneys are not be required.

(b) The Treasurer of State shall invest the amount ~~so~~ certified in certificates of deposit issued by eligible banks and

savings and loan associations.

(c) If the Treasurer of State is unable to place the certified amount in certificates of deposit, then the remainder may be placed in securities with the administrator's approval.

(ii)(a) Moneys required for ~~each such a~~ purchase under subdivision (a)(2)(B) of this section shall be withdrawn from the Cash Account and paid ~~over~~ to the ~~institution~~ bank depository issuing the certificate, of deposit or the investment depository selling the securities.

(b)(1) ~~and the~~ The principal amount of the certificate of deposit shall be ~~credited~~ debited to the Trust Deposit Account.

(2) The principal amount of a security shall be debited to the Trust Investment Account.

(iii) The certificates of deposit shall be secured ~~to such extent and in such manner as may be provided by law and otherwise as the Treasurer of State shall require~~ in accordance with the collateralization and investment policies of the State Board of Finance.

(iv)(a) Interest on ~~such~~ bank certificates of deposit shall be paid at ~~such~~ competitive rates ~~as the Treasurer of State shall prescribe~~ according to the investment policy established by the State Board of Finance.

(b) All interest income derived from ~~the~~ certificates of deposit or ~~other investments~~ securities shall be credited as trust fund income to the ~~account of the~~ trust fund used ~~in making such~~ to purchase a certificate of deposit or security.

(3)(A) ~~At all times, the~~ The Securities Reserve Fund shall be maintained on demand deposit in depository banks, ~~and nothing contained in.~~

(B) this This subsection ~~shall be applicable to such fund~~ does not apply to the Securities Reserve Fund.

(b)(1)(A) ~~STATE FUNDS.~~ The State Board of Finance may direct that a portion of state funds in the State Treasury be invested in certificates of deposit in the State Treasury Certificate of Deposit Investment Program as provided in § 19-3-519.

(B) The remaining portion of state funds in the State Treasury may be invested in:

(i) certificates Certificates of deposit, ~~in;~~

(ii) securities as outlined in § 23-47-401 without limitation Direct obligations of the United States Government;

(iii) Obligations of agencies and instrumentalities created and authorized by act of the United States Congress to issue securities or evidences of indebtedness, regardless of guarantee of repayment by the United States Government;

(iv) Obligations in which the principal and interest are fully guaranteed by:

(a) The United States Government; or

(b) An agency or an instrumentality created by an act of the United States Congress and authorized by the United States Congress to issue the guarantee;

(v) Obligations in which the principal and interest are fully secured, insured, or covered by a commitments or agreement to purchase the obligation by:

(a) The United States Government; or

(b) An agency or instrumentality created by an act of the United States Congress and authorized by the United States Congress to issue the commitment or agreement;

(vi) General obligations of the states of the United States and of the political subdivisions, municipalities, commonwealths, territories, or insular possessions of the states of the United States;

(vii) Obligations issued by the State Board of Education under authority of the Arkansas Constitution or applicable statutes;

(viii) Warrants of a political subdivision or municipality of the State of Arkansas having maturities not exceeding one (1) year;

(ix) Prerefunded municipal bonds, if the principal and interest of the municipal bonds are fully secured by the principal and interest of a direct obligation of the United States Government;

(x) The sale of federal funds with a maturity of not more than one (1) business day;

(xi) Demand, savings, or time deposits or accounts of a depository institution chartered by the United States, a state of the United States, or the District of Columbia if funds invested in the demand,

savings, or time deposits or accounts are fully insured by a federal deposit insurance agency;

(xii) Repurchase agreements that are fully collateralized by direct obligations of the United States Government or the general obligations of a state or political subdivision of a state of the United States if the repurchase agreement provides for taking delivery of the collateral directly or through an authorized custodian;

(xiii) A securities or other interest in an open-end type investment company or investment trust registered under the Investment Company Act of 1940 and that is defined as a "money market fund" under 17 C.F.R. § 270.2a-7 if:

(a) The portfolio of the investment company or investment trust is limited principally to United States Government obligations and to repurchase agreements fully collateralized by United States Government obligations; and

(b) The investment company or investment trust takes delivery of the collateral either directly or through an authorized custodian; or

(xiv) As approved by the guidelines established by the State Treasury investment policy approved by the State Board of Finance:

(a) A corporate obligation with an investment grade rating of BBB or higher as indicated by at least two (2) nationally recognized statistical rating organizations; or

~~(b) as approved in the Treasurer of State's investment policy, and in obligations~~ Obligations of corporations organized under ~~the provisions of~~ the Arkansas Development Finance Corporation Act, § 15-4-901 et seq., and issued under the Arkansas Development Finance Corporation Act, § 15-4-901 et seq., to the extent of forty-eight million dollars (\$48,000,000), ~~according to the guidelines established in the Treasurer of State's investment policy as approved by the board.~~

(2)(A)(i) Moneys required for each such a purchase under subdivision (b)(1) of this section shall be withdrawn from the Cash Account and paid over to the seller of the securities,

(ii) and the The cost of the securities shall be credited debited to the Securities Account.

(B) The proceeds of the sale or redemption of securities

~~at any time~~ withdrawn from the Securities Account shall be ~~deposited~~ debited in the Cash Account in the State Treasury.

(C)(i) ~~In~~ For all purchases, sales, and redemptions of securities, ~~as provided in~~ under this subsection, discounts and premiums shall be credited or charged, ~~as the case may be~~ appropriate, to the Securities Reserve Fund.

(ii) ~~All such discounts~~ Discounts and premiums ~~which that~~ are increments and all interest received on securities ~~at any time~~ held in the Securities Account shall be classified as trust fund income and credited to the Securities Reserve Fund by the Treasurer of State.

(3)(A) All purchases and sales of securities by the Treasurer of State ~~may be in the open market~~ shall be made upon receipt of not less than ~~two~~ (2) three (3) quotation bids, from securities brokers:

(i) Specifically approved by the State Board of Finance; or

(ii) ~~as defined in the Treasurer of State's investment policy as approved~~ Meeting criteria established by the ~~board~~ State Board of Finance.

(B)(i) However, the ~~board~~ State Board of Finance may subscribe for ~~any such~~ obligations ~~which are~~ offered by the United States Department of the Treasury.

(ii) ~~Any such obligations at any time~~ An obligation offered by the United States Department of the Treasury held in the State Treasury by the board may be exchanged for ~~other such obligations in instances where~~ another obligation offered by the United States Department of the Treasury if an exchange privilege has been extended by the United States Department of the Treasury.

(4)(A) ~~All obligations of any~~ An obligation of a corporation organized under the Arkansas Development Finance Corporation Act, § 15-4-901 et seq., purchased as authorized in this section shall:

(i) ~~bear~~ Bear a maturity date not to exceed ten (10) years; and

(ii) ~~shall be~~ Be purchased at par pursuant to an annual commitment to the corporation under ~~such~~ conditions ~~as may be determined~~ established by the ~~board~~ State Board of Finance.

(B)(i) ~~Prior to the purchase of any obligations by the~~

~~corporation, there shall be furnished to the board, without cost to it,~~  
Before an obligation described in subdivision (b)(4)(A) of this section is  
purchased, the opinion of legal counsel acceptable to the board State Board  
of Finance shall be furnished without charge to the State Board of Finance.

(ii) The opinion shall:

(a) approving Approve the validity of the  
 issue;

(b) and reciting Recite that, in the opinion  
 of ~~the~~ counsel, the obligations to be purchased by the ~~board~~ State Board of  
Finance are the duly authorized, legally binding obligations of the issuing  
 corporation; and

(c) specifying Specify the security, ~~therefor~~  
~~as to which any lien, or pledge has been created~~ is perfected collateral for  
the obligation.

(5)(A) All or any part of the bonds of local industrial  
 development corporations, authorized and issued under ~~the provisions of~~ the  
 Arkansas Industrial Development Act, § 15-4-101 et seq., and all or any part  
 of the bonds of municipalities and counties, authorized and issued under ~~the~~  
~~provisions of~~ the Municipalities and Counties Industrial Development Revenue  
 Bond Law, § 14-164-201 et seq., and all or any part of the obligations of  
 development finance corporations authorized and issued under ~~the provisions~~  
~~of~~ the Arkansas Development Finance Corporation Act, § 15-4-901 et seq., at  
 any time held in the Securities Account in the State Treasury, may be sold by  
~~the board~~ at public sale or at private sale, as the ~~board~~ State Board of  
Finance shall determine.

(B) However, in ~~any~~ a private sale, the sales price of the  
 bonds or obligations shall not be less than the amount paid ~~therefor~~ for the  
bonds or obligations.

(6) The ~~board~~ State Board of Finance ~~provides~~ shall provide  
 ministerial authority to the Treasurer of State to take whatever action  
 becomes necessary in regard to securities held in the Securities Account to  
 provide the requisite amount of cash necessary in demand deposit accounts to  
 carry out the business of the state or to correct any miscalculations ~~which~~  
that have arisen.

(7)(A) ~~No~~ A purchase, exchange, or receipt of ~~obligations an~~  
obligation by the ~~board~~ State Treasury shall ~~ever be construed as a~~

~~cancellation of the obligations so~~ not cancel the obligation purchased, exchanged, or received.

(B) ~~All such obligations~~ The obligation shall be held in trust for the use and benefit of the ~~various state funds~~ fund used ~~in such purchases to purchase the obligation, this trust being~~ subject only to the right of the ~~board~~ State Board of Finance to sell or exchange ~~such obligations whenever, in its opinion, the obligation if~~ the best interest of the state ~~may be~~ is served.

(8)(A) The ~~board~~ State Board of Finance shall meet ~~as called at~~ at fiscal quarters to evaluate, discuss, and review the advice of the Chief Fiscal Officer of the State under § 19-3-512, and authorize the deposit and investment of State Treasury funds to be made during the period before the next meeting of the ~~board~~ State Board of Finance.

(B) The deposit and investment of ~~such~~ funds and the purchase and sale of permissible securities may be made at any time it is advantageous to the State Treasury by the Treasurer of State under the guidelines in the ~~Treasurer of State's~~ State Treasury investment policy ~~reviewed and approved~~ established by the ~~board~~ State Board of Finance.

(9)(A) In order to increase investment income with minimal risk, the Treasurer of State may loan securities held in the Securities Account, ~~but only~~ if, at the time the loan is executed, at least one hundred two percent (102%) of the full market value of the security loaned is collateralized by cash or securities guaranteed by the United States Government or an agency of the United States Government.

(B) At all times during the term of the loan, the collateral shall ~~be equal to not less than~~ or exceed one hundred percent (100%) of the full market value ~~calculated on the total value~~ of all securities on loan.

(C) For purposes of this subdivision (b)(9) ~~of this section~~, the full market value of the collateral shall be determined on a daily basis.

(c)(1) ~~FEDERAL FUNDS.~~ The ~~board~~ State Board of Finance may invest federal funds, as described in § 19-7-101 et seq., the same as state funds that are authorized by subsection (b) of this section.

(2) The proceeds of ~~the investments of~~ investing federal funds shall be used for the same purpose ~~as that~~ authorized for other moneys

accruing to the benefit of the Securities Reserve Fund ~~as authorized by~~ under § 19-3-521.

(d)(1) ~~INTEREST-BEARING FUNDS.~~ The ~~board~~ State Board of Finance may invest funds deposited ~~in~~ into the State Treasury by state agencies, boards, and commissions that were previously held as cash funds in ~~financial institutions other than the State Treasury in order~~ a bank depository or investment depository to enhance investment opportunities and earnings.

(2) The ~~board~~ State Board of Finance may invest interest-bearing funds the same as state funds ~~are authorized in~~ under subsection (b) of this section.

(3) The interest earned on ~~these~~ investments under this subsection shall be credited ~~back~~ under subdivision (d)(4) of this section to the interest-bearing fund.

(4) On the first day of business of the month, the Treasurer of State shall:

(A) ~~compute~~ Compute the average daily balance of ~~this~~ the interest-bearing fund, including all internal accounts and funds, during the preceding month; and

(B) ~~shall transfer on that day~~ Transfer to the participants of the fund interest on the average daily balance ~~to be~~ computed at a rate equivalent to the average rate of interest earned on all State Treasury funds invested in fixed-income securities and in money market accounts during the preceding month less ~~its~~ the proportionate share of any assessments for the expenses of administration.

19-3-519. State Treasury Certificate of Deposit Investment Program.

(a) ~~From time to time~~ The policy of the State Board of Finance sets to set aside an amount to be invested in ~~one hundred eighty day or longer~~ certificates of deposit. Hereinafter, this will be referred to that mature no sooner than one hundred eighty (180) days shall be known as the "State Treasury Certificate of Deposit Investment Program".

(b) ~~Participating~~ The following institutions ~~shall be institutions choosing to~~ may participate in the program ~~as follows:~~

(1) National banks ~~which~~ that have their principal ~~office~~ offices in Arkansas or are legally operating branches in Arkansas;

(2) Banks chartered in the State of Arkansas;

(3) Banks chartered by other states ~~which~~ that are legally operating branches in Arkansas;

(4) Savings and loan associations or savings banks chartered by the United States ~~which~~ that have their principal ~~office~~ offices in Arkansas or are legally operating branches in Arkansas; and

(5) Savings and loan associations chartered by the State of Arkansas.

(c)(1) Institutions ~~which~~ that have their principal ~~office~~ offices in Arkansas shall designate a representative at the principal office responsible for transacting business with the Treasurer of State.

(2) Institutions ~~which~~ that do not have their principal ~~office~~ offices in Arkansas shall designate a principal branch and a representative at the principal branch responsible for transacting business with the Treasurer of State.

(d)(1) Semiannually, or as required by the board, each participating institution shall compute and report to the Treasurer of State its Arkansas deposits, Arkansas loans, the ~~loan-to-deposit~~ loan-to-deposit ratio for Arkansas loans and Arkansas deposits, and its capital base.

(2) Each participating institution shall report to the board information required by ~~them~~ the board to determine the institution's suitability ~~for State Treasury deposits~~ as a bank depository.

(e) As used in this section:

(1) "Arkansas loans" means the sum of:

(A) Loans made to individual borrowers residing in the State of Arkansas;

(B) Loans made to corporations or other legal entities doing business in Arkansas for which an address within Arkansas is used for transacting business;

(C) Bonds issued or loans made to the State of Arkansas or its instrumentalities;

(D) Bonds issued or loans made to political subdivisions of the State of Arkansas; and

(E) Bonds issued by Arkansas corporations, ~~;~~ and

(2) "Arkansas deposits" means deposits received by banks and credited to accounts whose accountholders have Arkansas as their principal place of business or permanent home addresses ~~in Arkansas~~.

(f) The board shall promulgate ~~regulations~~ rules establishing the minimum capital requirements for ~~any institution wishing to receive deposits from the Treasurer of State~~ a bank depository.

(g)~~(1)~~ The Treasurer of State shall establish procedures to be reviewed and approved by the board establishing guidelines for the deposit and allocation of certificates of deposit among participating institutions.

~~(2) The deposit of funds shall be allocated between participating institutions such that institutions enumerated in subdivisions (b)(1) (3) of this section make up one (1) group, hereinafter referred to as the bank group, and institutions enumerated in subdivisions (b)(4) and (5) of this section make up the other group, hereinafter referred to as the savings and loan group.~~

~~(3) Funds shall be allocated between the two (2) groups in a proportion to be set as needed by the board for an equitable allocation using each group's aggregate Arkansas deposits as a base for the allocation.~~

~~(4) The allocation among individual participating institutions shall be prorated on the basis of their Arkansas loans and Arkansas deposits in each respective group provided that the board may promulgate regulations establishing a threshold loan to deposit ratio preference.~~

~~(5) In the event that institutions in the savings and loan group do not accept for investment all of the pro rata part of these funds, then the excess shall be offered pro rata to institutions in the bank group. Conversely, if institutions in the bank group do not accept all of their pro rata share of the funds, then the excess shall be offered pro rata to the savings and loan group.~~

~~(6) To the extent that funds cannot be placed with any institution in either group, these funds may be invested as otherwise authorized by § 19-3-518.~~

(h)(1) Interest on funds invested under this section shall be paid by participating institutions at ~~such~~ rates as established by the board ~~shall, from time to time, prescribe.~~

(2) ~~However, these~~ The rates shall not exceed the maximum rate, if any, that banks are permitted to pay on time certificates of deposit for the same period of time by regulations of the Federal Reserve System or the Federal Deposit Insurance Corporation.

(i)(1) Moneys required for ~~each such~~ a purchase under this section

shall be withdrawn from the Cash Account and paid ~~over~~ to the issuer of the certificate of deposit, ~~and~~.

(2) ~~the~~ The principal amount of the certificate of deposit shall be credited to the Certificate of Deposit Account.

(j) The certificates of deposit shall be secured ~~to such extent and in such manner as may be provided by law and otherwise as the Treasurer of State may require~~ as required by the board.

19-3-520. Minimum balance to be maintained.

Since it is the intent of the General Assembly of the State of Arkansas that the ~~Treasurer of State~~ State Treasury have sufficient cash available at all times to redeem ~~any and~~ all state warrants presented for payment, the State Board of Finance ~~is authorized and directed to~~ shall immediately sell securities in the manner prescribed in § 19-3-518(b) ~~whenever~~ when the cash balance maintained on demand deposit in bank depositories falls below the amount necessary to meet operating requirements, excluding trust funds.

19-3-521. Securities Reserve Fund.

(a)(1) In addition to the ~~several~~ purposes for which the Securities Reserve Fund may be used, ~~as provided in~~ under this subchapter, the ~~fund~~ Securities Reserve Fund shall be used to absorb any losses in:

(A) ~~Relation to securities at any time~~ Securities held in the Securities Account in the State Treasury; and

(B) The Treasurer of State's account in bank depositories~~+~~.

(2)(A) The balance in the Securities Reserve Fund shall always be available ~~for such purposes~~ to absorb the losses stated in subdivision (a)(1) of this section.

(B) However, moneys in the Securities Reserve Fund in excess of one hundred thousand dollars (\$100,000) shall be available at all times to the Chief Fiscal Officer of the State for transfer to the Budget Stabilization Trust Fund, there to be used as provided by law.

(b)(1) If ~~any~~ a loss is sustained in relation to securities held at any time in the Securities Account or in the Treasurer of State's account in any bank depository and the credit balance in the Securities Reserve Fund is insufficient to absorb the loss, the Chief Fiscal Officer of the State shall

transfer moneys from the Budget Stabilization Trust Fund to the Securities Reserve Fund of an amount that, when added to the credit balance in the Securities Reserve Fund, equals the amount of ~~any~~ the loss.

(2) It is the ~~explicit~~ intent of the General Assembly that ~~no~~ a loss shall not be sustained by ~~any~~ an account, ~~the funds of which were used in making such investments and deposits to make an investment or deposit.~~

(c)(1) On a quarterly basis, interest earned on federal funds received under the State and Local Fiscal Assistance Act of 1972, 31 U.S.C. § 6701 et seq., shall be transferred at the direction of the Chief Fiscal Officer of the State from the Securities Reserve Fund to the federal funds established for the purpose of holding these moneys in trust.

(2) Interest to be transferred shall be a pro rata share of total earned interest based on the proportion of the average daily balances of the total federal funds established for the purpose of holding the State and Local Fiscal Assistance Act of 1972, 31 U.S.C. § 6701 et seq., moneys in trust to the average daily balances of all ~~State Treasury~~ investments of the State Treasury.

19-3-522. Servicing state debt.

(a) Unless otherwise specifically provided by law, the Secretary of the State Board of Finance shall be disbursing officer of appropriations made for meeting the debt service requirements of the direct general obligation bonds of this state at any time outstanding.

(b) ~~The term~~ As used in this section, "debt service requirements", ~~as used in this section~~, means the maturing principal of, interest on, and paying agents' fees in connection with the payment of the bonds.

(c) The secretary ~~shall~~, without fail, shall cause notice of the call to be published not less than thirty (30) days before the first date upon which such bonds may be called, with publication to be by one (1) insertion in a newspaper published in each of the cities of Little Rock, Arkansas; St. Louis, Missouri; and in a financial newspaper published in the Borough of Manhattan, City of New York, State of New York.

SECTION 3. Arkansas Code § 19-3-604(a), concerning the administration of the State Treasury Money Trust Management Fund, is amended to read as follows:

~~(a) The Treasurer of State shall establish regulations in the form of an investment policy to be approved by the State Board of Finance to carry out the provisions of this section to invest State Treasury Money Trust Management Fund moneys and all other policies and procedures established by the State Board of Finance under § 19-3-701 et seq. apply to the administration of this subchapter by the Treasurer of State.~~

SECTION 4. TEMPORARY LANGUAGE. DO NOT CODIFY. Grace period.

Upon application and for good cause the State Board of Finance may allow an entity that was a bank depository or investment depository on the effective date of this act until January 1, 2014, to comply with:

(1) An eligibility requirement established after the effective date of this act; or

(2) A requirement of § 19-3-501 et seq. established by this act.

SECTION 5. Arkansas Code § 19-3-101 is repealed.

~~19-3-101. State Board of Finance.~~

~~(a) There is created and established at the seat of government of this state a State Board of Finance. The Governor, the Treasurer of State, the Auditor of State, the Bank Commissioner, and the Director of the Department of Finance and Administration shall constitute the members. The Governor shall be chair of the board, and the Treasurer of State shall be secretary of the board and its executive officer and disbursing agent.~~

~~(b)(1) The board shall have and be subject to all functions, powers, and duties as by law are conferred and imposed upon it.~~

~~(2) For the purpose of regulating its own procedure and carrying out its functions, the board shall have the power, from time to time, to make, amend, and enforce all necessary or desirable rules or regulations not inconsistent with law.~~

~~(c)(1) Meetings of the board shall be held upon the call of the Governor, or by any three (3) or more members on advance notice to each member, at such place in each instance as may suit the board's convenience.~~

~~(2) All meetings shall be open to the public, and complete records of the proceedings thereof shall be kept.~~

~~(3) A quorum for the transaction of business at any meeting shall consist of not less than three (3) members, and the affirmative vote of~~

~~such number shall be requisite for the adoption of any motion or resolution.~~

*/s/Rapert*