

State of Arizona
House of Representatives
Fifty-third Legislature
First Regular Session
2017

CHAPTER 26
HOUSE BILL 2073

AN ACT

AMENDING SECTIONS 6-851, 9-921, 9-957, 35-323.01, 35-466.05, 35-467.05, 45-2283, 48-1778, 48-1798 AND 48-1915, ARIZONA REVISED STATUTES; RELATING TO THE INVESTMENT OF GOVERNMENT MONIES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:
2 Section 1. Section 6-851, Arizona Revised Statutes, is amended to
3 read:
4 6-851. Definitions
5 A. In this chapter, unless the context otherwise requires:
6 1. "Trust business" means the holding out by a person to the public
7 at large by advertising, solicitation or other means that ~~such~~ THE person
8 is available to act as a fiduciary in this state and accepting and
9 undertaking to perform the duties as such A fiduciary in the regular
10 course of ~~his~~ business.
11 2. "Trust company" means a corporation holding a certificate issued
12 under this article.
13 B. In this article, unless the context otherwise requires:
14 1. "Agent" means a person who receives compensation to regularly
15 perform services specifically related to the conduct of the trust
16 business.
17 2. "Asset" means any property or property right held by a licensee
18 for the benefit of another.
19 3. "Capital" means the total of outstanding common stock, preferred
20 stock and surplus and undivided profits.
21 4. "Certificate" means a certificate of authority issued under ~~the~~
22 ~~provisions of~~ this chapter to engage in trust business.
23 5. "Contingency plan" means a document stating a trust company's
24 means of conducting business and preserving records in the event of any
25 power outage, flood or other physical emergency.
26 6. "Discretionary assets" means those assets in which the trust
27 company has the unilateral authority to determine investment strategies
28 and execute investment transactions without seeking the concurrence,
29 approval or authority from the customer or any other external party.
30 7. "Fiduciary" means a personal representative, administrator,
31 guardian, conservator, trustee, agent or other person who acts in a
32 fiduciary capacity and who is not exempt by section 6-852.
33 8. "Impaired" or "insolvent" means the trust company does not
34 possess assets that are at least equal to liabilities, required reserves
35 and total issued and outstanding capital.
36 9. "Liquid capital" means capital in the form of certificates of
37 deposit issued by banks, savings banks or savings and loan associations
38 doing business in this state and insured by the federal deposit insurance
39 corporation or any successor institution, INCLUDING DEPOSITS TO A SINGLE
40 DEPOSITORY WHERE EXCESS DEPOSIT INSURANCE IS PROVIDED THROUGH A RECIPROCAL
41 DEPOSIT ARRANGEMENT BY PARTICIPATING BANKS, or direct obligations of the
42 United States government with maturity of not more than five years.
43 10. "Nondiscretionary assets" means those assets for which the
44 trust company must obtain from the customer, broker or investment advisor

1 specific direction and instructions regarding both investment strategies
2 and investment executions.

3 11. "Surplus" means the total amount paid by shareholders in excess
4 of the par or stated value of the shares of capital stock of a trust
5 business in consideration for the shares.

6 Sec. 2. Section 9-921, Arizona Revised Statutes, is amended to
7 read:

8 9-921. Powers and duties of the board; audit

9 A. The police pension board shall have exclusive control and
10 management of the police pension fund, subject to ~~the provisions of~~ this
11 article. It shall make rules, not inconsistent with ~~the provisions of~~
12 this article, for its government, the conduct of its proceedings and the
13 management of the fund, and shall do all things necessary to carry out ~~the~~
14 ~~provisions of~~ this article. It may compel witnesses to attend hearings,
15 or produce records and papers, and testify with respect to applications
16 for pensions, or ~~upon~~ ON any matter connected with the fund, and any
17 member of the board may administer oaths to such witnesses.

18 B. The board may invest or reinvest, in the name of the board, that
19 portion of the fund which in its judgment is available for investment in
20 such interest-bearing securities as follows:

21 1. Bonds of the United States.

22 2. Federal housing insured mortgage bonds of the United States.

23 3. Bonds, debentures or other obligations issued by the federal
24 land banks, the federal intermediate credit banks or the banks for
25 cooperatives.

26 4. Any bonds ~~upon~~ ON which the payment of interest and principal
27 ~~are~~ IS guaranteed by the United States.

28 5. Bonds issued by any United States government instrumentality or
29 federal agency that qualify and are acceptable as security for public
30 funds of the United States government.

31 6. General obligation bonds of the state or of the counties,
32 incorporated cities and towns and school districts.

33 7. Revenue bonds of the incorporated cities and towns of this
34 state, ~~THE~~ Arizona board of regents, ~~THE~~ Arizona power authority or any
35 other legally constituted state authority or agency authorized by law to
36 issue revenue bonds, except revenue bonds for recreational purposes issued
37 by cities and towns.

38 8. Bonds of agricultural improvement districts and agricultural
39 improvement and power districts organized under the laws of this state
40 when issued or guaranteed, with the approval of the secretary of the
41 interior, by corporations operating a United States reclamation project
42 within the state.

43 9. Bonds of incorporated cities or towns of this state issued under
44 ~~the provisions of~~ sections ~~9-692 through 9-707~~ 48-595, 48-596, 48-597,

1 48-598, 48-599, 48-600, 48-601, 48-602, 48-603, 48-604, 48-605, 48-606,
2 48-607, 48-608, 48-609, 48-609.01 AND 48-610.

3 10. First lien bonds of sanitary districts issued pursuant to title
4 48, chapter 14.

5 11. Registered warrants of the state, or registered county or
6 school district warrants when offered as security for monies of the county
7 or school district by which they are issued.

8 12. ~~Interest-bearing~~ INTEREST-BEARING savings accounts or
9 certificates of deposit in banks doing business in this state whose
10 accounts are insured by the federal deposit insurance corporation, but
11 only if such deposits in excess of the insured amount are secured by the
12 depository to the same extent and in the same manner as required by the
13 general depository law of the state.

14 13. ~~Interest-bearing~~ INTEREST-BEARING savings accounts or
15 certificates of deposit in savings and loan associations doing business in
16 this state whose accounts are insured by the federal savings and loan
17 insurance corporation, but only if such deposits in excess of the insured
18 amount are secured by the depository to the same extent and in the same
19 manner as required by the general depository law of the state.

20 14. DEPOSITS PLACED IN ACCORDANCE WITH THE PROCEDURES PRESCRIBED IN
21 SECTION 35-323.01.

22 C. The board shall cause an annual audit and report of the fund to
23 be made by a certified public accountant, and shall also cause actuarial
24 studies of the fund to be made periodically, but not less than once in
25 each three years, by a qualified actuary who is a member of the society of
26 actuaries. The actuary shall make specific recommendations as to the
27 contributions to be made to the fund in accordance with ~~the provisions of~~
28 section 9-923, subsection A, paragraph 10 in order to maintain the fund on
29 an ~~actuarial~~ ACTUARIALY sound basis.

30 Sec. 3. Section 9-957, Arizona Revised Statutes, is amended to
31 read:

32 9-957. Powers and duties of board; investments; review of
33 decisions

34 A. The board may compel witnesses to attend and testify ~~upon~~ ON any
35 matter pertaining to this article, and its president or any member may
36 administer oaths. The board may provide for payment of its necessary
37 expenses, except that no compensation is payable to members of the board
38 for duties performed under this article.

39 B. Funds ~~which~~ THAT are not immediately required for the payment of
40 pensions or benefits under this article may be invested or reinvested, at
41 the discretion of the board of trustees, by the county treasurer or by the
42 board of trustees, as follows:

- 43 1. In bonds of the United States.
- 44 2. In federal housing insured mortgage bonds of the United States.
- 45 3. In federal land bank bonds.

- 1 4. Any bonds ~~upon~~ ON which the payment of interest and principal
2 ~~are~~ IS guaranteed by the United States.
- 3 5. Bonds issued by any United States government instrumentality or
4 federal agency that qualify and are acceptable as security for public
5 funds of the United States government.
- 6 6. General obligation bonds of this state or of the counties,
7 incorporated cities and towns and school districts of this state.
- 8 7. Revenue bonds of the incorporated cities and towns of this
9 state, ~~THE~~ Arizona board of regents, ~~THE~~ Arizona power authority, or any
10 other legally constituted state authority or agency authorized by law to
11 issue revenue bonds, except revenue bonds for recreational purposes issued
12 by cities and towns.
- 13 8. Bonds of agricultural improvement districts and agricultural
14 improvement and power districts organized under the laws of this state
15 when issued or guaranteed, with the approval of the secretary of the
16 interior, by corporations operating a United States reclamation project
17 within the state.
- 18 9. Bonds of incorporated cities or towns of this state issued under
19 ~~the provisions of~~ sections ~~9-692 through 9-707~~ 48-595, 48-596, 48-597,
20 48-598, 48-599, 48-600, 48-601, 48-602, 48-603, 48-604, 48-605, 48-606,
21 48-607, 48-608, 48-609, 48-609.01 AND 48-610.
- 22 10. First lien bonds of sanitary districts issued pursuant to title
23 48, chapter 14.
- 24 11. Registered warrants of the state, or registered county or
25 school district warrants when offered as security for monies of the county
26 or school district by which they are issued.
- 27 12. ~~Interest-bearing~~ INTEREST-BEARING savings accounts or
28 certificates of deposit in banks doing business in this state whose
29 accounts are insured by the federal deposit insurance corporation, but
30 only if such deposits in excess of the insured amount are secured by the
31 depository to the same extent and in the same manner as required by the
32 general depository law of the state.
- 33 13. ~~Interest-bearing~~ INTEREST-BEARING savings accounts or
34 certificates of deposit in savings and loan associations doing business in
35 this state, whose accounts are insured by the federal savings and loan
36 insurance corporation, but only if such deposits in excess of the insured
37 amount are secured by the depository to the same extent and in the same
38 manner as required by the general depository law of this state.
- 39 14. DEPOSITS PLACED IN ACCORDANCE WITH THE PROCEDURES PRESCRIBED IN
40 SECTION 35-323.01.
- 41 C. All matters pertaining to the benefits granted by this article
42 to ~~fire fighters~~ FIREFIGHTERS and their dependents shall be presented to
43 the board, and any person aggrieved by a decision of the board, ~~may~~ at any
44 time within thirty days after its decision, MAY petition for a writ of

1 certiorari, and the court may on final hearing reverse or affirm, wholly
2 or partly, or may modify, the decision reviewed.

3 Sec. 4. Section 35-323.01, Arizona Revised Statutes, is amended to
4 read:

5 35-323.01. Investment of government monies in deposits;
6 conditions; definition

7 A. If an investing entity invests in deposits pursuant to THIS
8 section ~~9-492, subsection C, section 15-1025, subsection B, paragraph 7,~~
9 ~~section 35-313, subsection A, paragraph 14, section 35-323, subsection A,~~
10 ~~paragraph 2 or section 48-2979, subsection D,~~ the investing entity in each
11 case shall invest those monies in accordance with all of the following
12 conditions:

13 1. The monies are initially invested through an eligible depository
14 in this state selected by the investing entity.

15 2. The selected eligible depository arranges for the deposit of the
16 monies in one or more federally insured banks or savings and loan
17 associations wherever located, for the account of the investing entity.

18 3. The full amount of principal and any accrued interest of each
19 such deposit is insured by the federal deposit insurance corporation.

20 4. The selected eligible depository acts as custodian for the
21 investing entity with respect to such deposits.

22 5. On the same date that the investing entity's monies are
23 deposited pursuant to paragraph 2 of this subsection, the selected
24 eligible depository receives an amount of federally insured deposits from
25 customers of other financial institutions equal to or greater than the
26 amount of the monies initially invested by the investing entity through
27 the selected eligible depository.

28 B. Monies invested in accordance with all of the conditions
29 prescribed in this section are not subject to any security or collateral
30 requirements.

31 C. For the purposes of this section, "investing entity" means this
32 state, a political subdivision, the governing body of a municipality or
33 the governing body of a school district.

34 Sec. 5. Section 35-466.05, Arizona Revised Statutes, is amended to
35 read:

36 35-466.05. Investment of note proceeds; period of investment
37 covenants

38 A. Note proceeds may be invested in any of the following
39 securities:

40 1. Bonds or other evidences of indebtedness of the United States of
41 America or any of its agencies or instrumentalities when such obligations
42 are guaranteed as to principal and interest by the United States of
43 America or by any agency or instrumentality of the United States.

1 2. Bonds or other evidences of indebtedness of this state, ~~OR~~ any
2 of the counties, incorporated cities or towns or duly organized school
3 districts of this state.

4 3. ~~Interest-bearing~~ INTEREST-BEARING savings accounts or
5 certificates of deposit of banks or savings and loan associations doing
6 business in this state if such banks or savings and loan associations are
7 insured by the federal deposit insurance corporation or the federal
8 savings and loan insurance corporation. Amounts in excess of that covered
9 by federal insurance shall be secured by the depository to the same extent
10 and in the same manner as required by the general depository law of this
11 state.

12 4. DEPOSITS PLACED IN ACCORDANCE WITH THE PROCEDURES PRESCRIBED IN
13 SECTION 35-323.01.

14 B. A resolution pertaining to the issuance of notes may contain
15 covenants prescribing the period that proceeds may be invested and the
16 maximum yield on such investments during any period mentioned in the
17 covenant and any other covenants deemed necessary or desirable by the
18 governing body.

19 Sec. 6. Section 35-467.05, Arizona Revised Statutes, is amended to
20 read:

21 35-467.05. Investment of note proceeds; period of investment
22 covenants

23 A. Note proceeds may be invested in any of the following:

24 1. Bonds or other evidences of indebtedness of the United States or
25 any of its agencies or instrumentalities if such obligations are
26 guaranteed as to principal and interest by the United States or by the
27 agency or instrumentality.

28 2. Bonds or other evidences of indebtedness of this state,
29 counties, cities, towns or school districts.

30 3. ~~Interest-bearing~~ INTEREST-BEARING savings accounts or
31 certificates of deposit of banks or savings and loan associations doing
32 business in this state if such banks or savings and loan associations are
33 insured by the federal deposit insurance corporation or the federal
34 savings and loan insurance corporation. Amounts in excess of those
35 covered by federal insurance must be secured by the depository to the same
36 extent and in the same manner as required by the general depository law of
37 this state.

38 4. The local government pooled investment fund established pursuant
39 to section 35-326.

40 5. DEPOSITS PLACED IN ACCORDANCE WITH THE PROCEDURES PRESCRIBED IN
41 SECTION 35-323.01.

42 B. A resolution pertaining to the issuance of notes may contain
43 covenants prescribing the period that proceeds may be invested and the
44 maximum yield on such investments during any period mentioned in the
45 covenant.

1 Sec. 7. Section 45-2283, Arizona Revised Statutes, is amended to
2 read:

3 45-2283. Investment of revenues

4 The authority may invest revenues of the authority in securities and
5 deposits with a maximum maturity of three years. All revenues shall be
6 invested in eligible investments. Eligible investments include:

7 1. Certificates of deposit in eligible depositories as provided in
8 title 35, chapter 2, article 2.1.

9 2. ~~Interest bearing~~ INTEREST-BEARING savings accounts in banks and
10 savings and loan institutions doing business in this state whose accounts
11 are insured by federal deposit insurance for their industry.

12 3. Repurchase agreements with a maximum maturity of one hundred
13 eighty days.

14 4. Bonds or other evidences of indebtedness of the United States or
15 any of its agencies or instrumentalities if the obligations are guaranteed
16 as to principal and interest by the United States or by any agency or
17 instrumentality of the United States.

18 5. Bonds or other evidences of indebtedness of this state or any of
19 its counties, incorporated cities or towns or school districts.

20 6. DEPOSITS PLACED IN ACCORDANCE WITH THE PROCEDURES PRESCRIBED IN
21 SECTION 35-323.01.

22 Sec. 8. Section 48-1778, Arizona Revised Statutes, is amended to
23 read:

24 48-1778. Authority of directors to invest monies; approved
25 investments

26 The board of directors ~~may~~, in the best interests of the district,
27 MAY invest and reinvest monies of the district in any of the following:

28 1. Bonds or other evidences of indebtedness of the United States or
29 any of its agencies or instrumentalities if the obligations are guaranteed
30 as to principal and interest by the United States or by any agency or
31 instrumentality of the United States.

32 2. Bonds or other evidences of indebtedness of this state or of any
33 county, incorporated city or town or duly organized school district of
34 this state.

35 3. Bonds, notes or evidences of indebtedness of any county,
36 municipality or municipal district utility within this state, which are
37 payable from revenues or earnings specifically pledged for the payment of
38 the principal and interest on the obligations and for the payment of which
39 a lawful sinking fund or reserve fund has been established and is being
40 maintained, but only if no default in payment of principal or interest on
41 the obligations to be purchased has occurred within five years of the date
42 of investment or, if the obligations were issued less than five years
43 prior to the date of investment, no default in payment of principal or
44 interest has occurred on the obligations to be purchased nor on any other
45 obligations of the issuer within five years of the investment.

1 4. Bonds, notes or evidences of indebtedness issued by any
2 municipal improvement district in this state to finance local improvements
3 authorized by law if the principal and interest of the obligations are
4 payable from assessments on real property within the local improvement
5 district. The board of directors shall not make the investment if the
6 face value of all the obligations, and similar obligations outstanding,
7 exceeds fifty ~~per cent~~ PERCENT of the market value of the real property
8 and improvements ~~upon~~ ON which the bonds or the assessments for the
9 payment of principal and interest on the bonds are liens inferior only to
10 the liens for general ad valorem property taxes. The board of directors
11 may make the investment only if no default in payment of principal or
12 interest on the obligations to be purchased has occurred within five years
13 of the date of investment or, if the obligations were issued less than
14 five years prior to the date of investment, no default in payment of
15 principal or interest has occurred on the obligations to be purchased nor
16 on any other obligation of the issuer within five years of the investment.

17 5. ~~Interest-bearing~~ INTEREST-BEARING savings accounts or
18 certificates of deposit insured in banks or savings and loan associations
19 doing business in this state by the federal deposit insurance corporation
20 or the federal savings and loan insurance corporation but only if they are
21 secured by the depository to the same extent and in the same manner as
22 required by the general depository law of this state. Security is not
23 required for that portion of any deposit that is insured under any law of
24 the United States.

25 6. Bonds, debentures or other obligations issued by the federal
26 land banks, the federal intermediate credit banks, the banks for
27 cooperatives or ~~by~~ the national rural utility cooperative finance
28 corporations.

29 7. DEPOSITS PLACED IN ACCORDANCE WITH THE PROCEDURES PRESCRIBED IN
30 SECTION 35-323.01.

31 Sec. 9. Section 48-1798, Arizona Revised Statutes, is amended to
32 read:

33 48-1798. Bond retirement fund; investment of fund

34 A. Beginning with the third year after issuance of any bonds, the
35 board of directors shall include in the certificate provided for in
36 section 48-1773 an amount sufficient to create a sinking fund ~~which~~ THAT
37 will pay the outstanding bonds when they become due. All probable income
38 or increase of income from the sources referred to in section 48-1774
39 shall be taken into account in certifying the annual requirements of the
40 sinking fund.

41 B. When the sinking fund amounts to five hundred dollars or any
42 multiple thereof, the MONIES IN THE fund may be loaned on farmlands at not
43 more than thirty-five ~~per cent~~ PERCENT of their cash value, but such loans
44 shall mature not later than the bonds ~~which~~ THAT the ~~funds~~ MONIES loaned
45 were raised to pay.

1 C. In addition to ~~the provisions of~~ subsection B of this section,
2 the board of directors may invest ~~funds~~ MONIES IN THE FUND in:

3 1. ~~Interest-bearing~~ INTEREST-BEARING savings accounts or
4 certificates of deposit in banks doing business in this state whose
5 accounts are insured by the federal deposit insurance corporation, but
6 only if such deposits in excess of the insured amount are secured by the
7 depository to the same extent and in the same manner as required by the
8 general depository law of the state.

9 2. ~~Interest-bearing~~ INTEREST-BEARING savings accounts or
10 certificates of deposit in savings and loan associations doing business in
11 this state whose accounts are insured by the federal savings and loan
12 insurance corporation, but only if such deposits in excess of the insured
13 amount are secured by the depository to the same extent and in the same
14 manner as required by the general depository law of the state.

15 3. DEPOSITS PLACED IN ACCORDANCE WITH THE PROCEDURES PRESCRIBED IN
16 SECTION 35-323.01.

17 Sec. 10. Section 48-1915, Arizona Revised Statutes, is amended to
18 read:

19 48-1915. Deposit and payment of district monies; investment
20 and reinvestment of sinking fund

21 A. Monies received for a hospital district from any source shall be
22 deposited with the county treasurer of the organizing county to the credit
23 of the hospital district, and paid out only ~~upon~~ ON warrants approved by
24 the board of directors of the district.

25 B. The board of directors of the district, with the consent of the
26 board of supervisors, may invest and reinvest all ~~money~~ MONIES belonging
27 or credited to the district as a sinking fund. The investment shall be
28 made for the best interests of the district.

29 C. The ~~funds~~ MONIES IN THE FUND may be invested and reinvested
30 under the authority of the federal farm credit act of 1933, or invested
31 and reinvested in any of the following:

32 1. Bonds or other evidences of indebtedness of the United States of
33 America or any of its agencies or instrumentalities when such obligations
34 are guaranteed as to principal and interest by the United States of
35 America or by any agency or instrumentality thereof.

36 2. Bonds or other evidences of indebtedness of this state or of any
37 of the counties, ~~or~~ incorporated cities, ~~OR~~ towns, ~~or~~ or duly organized
38 school districts of this state.

39 3. Bonds, notes or evidences of indebtedness of any county,
40 municipality, ~~or~~ or municipal district utility within this state ~~which~~ THAT
41 are payable from revenues or earnings specifically pledged for the payment
42 of the principal and interest on such obligations, and for the payment of
43 which a lawful sinking fund or reserve fund has been established and is
44 being maintained, but only if no default in payment of principal or
45 interest on the obligations to be purchased has occurred within five years

1 of the date of investment therein, or, if such obligations were issued
2 less than five years prior to the date of investment, no default in
3 payment of principal or interest has occurred on the obligations to be
4 purchased, nor on any other obligations of the issuer within five years of
5 such AN investment.

6 4. Bonds, notes or evidences of indebtedness issued by any
7 municipal improvement district in this state to finance local improvements
8 authorized by law, if the principal and interest of such obligations are
9 payable from assessments on real property within such A local improvement
10 district. No such investment shall be made if the face value of all such
11 obligations, and similar obligations outstanding, exceed fifty ~~per cent~~
12 PERCENT of the market value of the real property and improvements ~~upon~~ ON
13 which such bonds or the assessments for the payment of principal and
14 interest thereon are liens inferior only to the liens for general ad
15 valorem property taxes. Such AN investment shall be made only if no
16 default in payment of principal or interest on the obligations to be
17 purchased has occurred within five years of the date of investment
18 therein, or, if such obligations were issued less than five years prior to
19 the date of investment, no default in payment of principal or interest has
20 occurred on the obligations to be purchased, nor on any other obligation
21 of the issuer within five years of such AN investment.

22 5. ~~Interest-bearing~~ INTEREST-BEARING saving accounts or
23 certificates of deposit insured in banks or savings and loan associations
24 doing business in Arizona by the federal deposit insurance corporation, or
25 the federal savings and loan insurance corporation, but only if they are
26 secured by the depository to the same extent and in the same manner as
27 required by the general depository law of the state. Security shall not
28 be required for that portion of any deposit that is insured under any law
29 of the United States.

30 6. DEPOSITS PLACED IN ACCORDANCE WITH THE PROCEDURES PRESCRIBED IN
31 SECTION 35-323.01.

32 D. The purchase of the securities shall be made by the county
33 treasurer ~~upon~~ ON authority of a resolution of the board of directors,
34 approved by the board of supervisors. The county treasurer shall be the
35 custodian of all securities so purchased. The bonds may be sold ~~upon~~ ON
36 an order of the board of directors with the consent of the board of
37 supervisors.

38 E. All ~~money~~ MONIES earned as interest or otherwise derived by
39 virtue of ~~the provisions of~~ this section shall be credited to the sinking
40 fund.

APPROVED BY THE GOVERNOR MARCH 21, 2017.

H.B. 2073

FILED IN THE OFFICE OF THE SECRETARY OF STATE MARCH 21, 2017.