AN ACT

AMENDING TITLE 6, CHAPTER 1, ARIZONA REVISED STATUTES, BY ADDING ARTICLE 6; AMENDING TITLE 41, CHAPTER 27, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING SECTION 41-3032.01; RELATING TO BANKS.

(TEXT OF BILL BEGINS ON NEXT PAGE)
Be it enacted by the Legislature of the State of Arizona:
Section 1. Title 6, chapter 1, Arizona Revised Statutes, is amended by adding article 6, to read:

ARTICLE 6. STATE BANK

6-171. Definitions
IN THIS ARTICLE, UNLESS THE CONTEXT OTHERWISE REQUIRES:
1. "Bank" means the sovereign state bank of Arizona.
2. "Board" means the advisory board of directors to the bank.
3. "Executive director" means the individual who is appointed by the board to manage the bank.
4. "Fund" means the state banking fund established by section 6-175.

6-172. Establishment of the sovereign state bank; rules
A. This state shall engage in the business of banking and shall maintain a system of banking owned, controlled and operated by this state under the name of sovereign state bank of Arizona.
B. The bank must comply with chapter 2 of this title.
C. The department may adopt rules necessary to implement this article.

6-173. Advisory board of directors; membership; requirements; terms; reimbursements; open meetings; conflict of interest; annual audit
A. The advisory board of directors to the sovereign state bank of Arizona is established and shall consist of the following members:
   1. Four members who are appointed by the governor and who are members of different political parties.
   2. Two members who are appointed by the speaker of the house of representatives and who are members of different political parties.
   3. Two members who are appointed by the president of the senate and who are members of different political parties.
   4. The state treasurer or the state treasurer's designee.
B. All board members must have education and experience in any of the following areas:
   1. Banking finance or banking organization.
   2. Credit union management.
   3. Financial services in the public or private sector.
   4. Lending services.
C. Board members are appointed to serve a term of four years and may serve only two terms.
D. A vacancy shall be filled in the same manner as the original appointment. A board member may continue to serve after the expiration of the term until a new appointment is made.
E. THE BOARD SHALL ANNUALLY ELECT A CHAIRPERSON AND VICE CHAIRPERSON FROM AMONG ITS MEMBERS. THE CHAIRPERSON AND VICE CHAIRPERSON MAY SERVE ONLY ONE TERM.

F. THE BOARD SHALL MEET QUARTERLY OR MORE FREQUENTLY AT THE DISCRETION OF THE CHAIRPERSON. A MAJORITY OF THE MEMBERS CONSTITUTES A QUORUM.

G. BOARD MEMBERS ARE NOT ELIGIBLE TO RECEIVE COMPENSATION BUT ARE ELIGIBLE TO RECEIVE REIMBURSEMENT OF EXPENSES PURSUANT TO TITLE 38, CHAPTER 4, ARTICLE 2.

H. THE BOARD IS SUBJECT TO TITLE 38, CHAPTER 3, ARTICLE 3.1, RELATING TO PUBLIC MEETINGS.

I. THE BOARD IS SUBJECT TO TITLE 38, CHAPTER 3, ARTICLE 8, RELATING TO CONFLICTS OF INTEREST. IN ADDITION TO THE CONFLICTS OF INTEREST PROVISIONS IN TITLE 38, CHAPTER 3, ARTICLE 8, ANY BOARD MEMBER, EXECUTIVE DIRECTOR OR FUND MANAGER OR ANY EMPLOYEE IN EXECUTIVE MANAGEMENT THAT HAS ANY DIRECT OR INDIRECT INTEREST IN WHICH THE BANK IS OR IS TO BE PARTY TO THE CONTRACT SHALL DISCLOSE THAT INFORMATION TO THE BOARD IN WRITING AND MAY NOT PARTICIPATE IN ANY ACTION BY THE BANK WITH RESPECT TO THAT CONTRACT. BEFORE TAKING OFFICE OR WHILE IN OFFICE, A BOARD MEMBER MUST FILE A STATEMENT WITH THE BANK INDICATING ANY PERSONAL INTEREST THAT THE BOARD MEMBER HAS IN ANY LOAN OR LOAN APPLICATION IN EXISTENCE OR PENDING AT ANY TIME DURING THE BOARD MEMBER'S TERM ON THE BOARD.

J. THE BOARD SHALL CAUSE AN ANNUAL AUDIT TO BE MADE OF THE FINANCIAL STABILITY OF THE BANK. THE AUDIT SHALL BE MADE BY A CERTIFIED PUBLIC ACCOUNTANT WITHIN THIRTY DAYS AFTER THE CLOSE OF THE FISCAL YEAR, AND A CERTIFIED COPY OF THE AUDIT SHALL BE FILED WITH THE AUDITOR GENERAL.

K. THE AUDITOR GENERAL, IF THE AUDITOR GENERAL DEEMS IT ADVISABLE, MAY MAKE SUCH FURTHER AUDITS AND EXAMINATIONS NECESSARY TO TAKE APPROPRIATE ACTION AS PROVIDED IN TITLE 41, CHAPTER 7, ARTICLE 10.1. UNLESS THE AUDITOR GENERAL TAKES OFFICIAL ACTION WITHIN THIRTY DAYS AFTER THE BOARD FILES THE AUDIT, THE AUDIT SHALL BE DEEMED SUFFICIENT.

6-174. Executive director; appointment; duties; annual report

A. THE BOARD SHALL APPOINT AN EXECUTIVE DIRECTOR OF THE BANK. THE EXECUTIVE DIRECTOR:

1. IS AN EMPLOYEE OF THE STATE.
2. SERVES AT THE PLEASURE OF THE BOARD.
3. IS RESPONSIBLE TO THE BOARD.
4. MUST HAVE EXPERIENCE AND EDUCATION IN ADMINISTERING BANKING AND FINANCIAL INSTITUTIONS.
5. IS SUBJECT TO THE LIMITS OF AVAILABLE MONIES.
6. MAY HIRE OR REMOVE EMPLOYEES.

B. THE EXECUTIVE DIRECTOR SHALL:

1. MANAGE THE BANK AND IS RESPONSIBLE FOR ALL ADMINISTRATIVE MATTERS OF THE BANK.
2. PREPARE AN ANNUAL BUDGET FOR THE BANK THAT IS TO BE REVIEWED AND APPROVED BY THE BOARD.
3. MAINTAIN ACCURATE AND COMPLETE RECORDS AND ACCOUNTS CONCERNING ALL TRANSACTIONS INVOLVING THE BANK.
4. PROVIDE QUARTERLY REPORTS TO THE BOARD ON THE INVESTMENTS MADE AND ON THE AVAILABLE AND ENCUMBERED MONIES OF THE BANK.
5. ON OR BEFORE OCTOBER 1 EACH YEAR, THE ANNUAL REPORT SHALL BE SUBMITTED TO THE BOARD FOR REVIEW AND THE REPORT SHALL BE MADE AVAILABLE TO THE PUBLIC. THE ANNUAL REPORT SHALL INCLUDE A SUMMARY OF THE QUARTERLY REPORTS AND ANY OTHER INFORMATION AS DETERMINED BY THE BOARD.

6-175. State banking fund
THE STATE BANKING FUND IS ESTABLISHED WITHIN THE BANK. THE FUND SHALL BE ADMINISTERED BY THE BANK AS A SEPARATE ACCOUNT, BUT MAY CONSIST OF SUCH SUBACCOUNTS AS THE BANK DEEMS NECESSARY TO CARRY OUT THE PURPOSES OF THE FUND. THE BOARD SHALL ESTABLISH PROCEDURES AND POLICIES AS REQUIRED TO ADMINISTER THE FUND IN ACCORDANCE WITH APPLICABLE STATE AND FEDERAL LAWS. THE FUND CONSISTS OF APPROPRIATIONS, GIFTS, GRANTS, DEPOSITS, DONATIONS AND INVESTMENT INCOME FROM THE FUND. ALL INCOME EARNED ON THE FUND SHALL BE CREDITED TO THE FUND. MONIES IN THE FUND ARE CONTINUOUSLY APPROPRIATED AND ARE EXEMPT FROM THE PROVISIONS OF SECTION 35-190 RELATING TO LAPSING OF APPROPRIATIONS.

Sec. 2. Title 41, chapter 27, article 2, Arizona Revised Statutes, is amended by adding section 41-3032.01, to read:
41-3032.01. Sovereign state bank advisory board of directors to the sovereign state bank of Arizona; termination July 1, 2032
A. THE SOVEREIGN STATE BANK ADVISORY BOARD OF DIRECTORS TO THE SOVEREIGN STATE BANK OF ARIZONA TERMINATES ON JULY 1, 2032.
B. TITLE 6, CHAPTER 1, ARTICLE 6 AND THIS SECTION ARE REPEALED ON JANUARY 1, 2033.

Sec. 3. Purpose
Pursuant to section 41-2955, subsection E, Arizona Revised Statutes, the legislature establishes the sovereign state bank advisory board of directors to the sovereign state bank of Arizona to operate, manage and control the sovereign state bank in Arizona.

Sec. 4. Initial terms of members of the advisory board of directors to the sovereign state bank of Arizona
A. Notwithstanding section 6-173, Arizona Revised Statutes, as added by this act, the initial terms of members of the advisory board of directors to the sovereign state bank of Arizona are:
1. For members appointed pursuant to section 6-173, subsection A, paragraph 1, Arizona Revised Statutes, as added by this act, one term ends on July 1, 2026 and one term ends on July 1, 2028.
2. For members appointed pursuant to section 6-173, subsection A, paragraph 2, Arizona Revised Statutes, as added by this act, one term ends on July 1, 2026 and one term ends on July 1, 2028.

3. For members appointed pursuant to section 6-173, subsection A, paragraph 3, Arizona Revised Statutes, as added by this act, one term ends on July 1, 2026 and one term ends on July 1, 2028.

B. All subsequent appointments shall be as prescribed by statute.