ASSEMBLY BILL NO. 129–COMMITTEE ON GOVERNMENT AFFAIRS

(ON BEHALF OF STATE TREASURER)

FEBRUARY 4, 1999

Referred to Committee on Government Affairs

SUMMARY—Revises certain limitations on investment of state money. (BDR 31-995)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State or on Industrial Insurance: No.

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EXPLANATION – Matter in ***bolded italics*** is new; matter between brackets [~~omitted material~~] is material to be omitted.

AN ACT relating to public investments; revising certain limitations on the investment of state money; authorizing the state treasurer to employ investment and financial advisers; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. NRS 355.140 is hereby amended to read as follows:

355.140 1. In addition to other investments provided for by a specific statute, the following bonds and other securities are proper and lawful investments of any of the money of this state, of its various departments, institutions and agencies, and of the state insurance fund:

(a) Bonds and certificates of the United States;

(b) Bonds, notes, debentures and loans if they are underwritten by or their payment is guaranteed by the United States;

(c) Obligations or certificates of the United States Postal Service, the Federal National Mortgage Association, ***the Government National Mortgage Association,*** the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation or the Student Loan Marketing Association, whether or not guaranteed by the United States;

(d) Bonds of this state or other states of the Union;

(e) Bonds of any county of this state or of other states;

(f) Bonds of incorporated cities in this state or in other states of the Union, including special assessment district bonds if those bonds provide that any deficiencies in the proceeds to pay the bonds are to be paid from the general fund of the incorporated city;

(g) General obligation bonds of irrigation districts and drainage districts in this state which are liens upon the property within those districts, if the value of the property is found by the board or commission making the investments to render the bonds financially sound over ~~[and above]~~ all other obligations of the districts;

(h) Bonds of school districts within this state;

(i) Bonds of any general improvement district whose population is 200,000 or more and which is situated in two or more counties of this state or of any other state, if:

(1) The bonds are general obligation bonds and constitute a lien upon the property within the district which is subject to taxation; and

(2) That property is of an assessed valuation of not less than five times the amount of the bonded indebtedness of the district;

(j) Medium-term obligations for counties, cities and school districts authorized pursuant to chapter 350 of NRS;

(k) Loans bearing interest at a rate determined by the state board of finance when secured by first mortgages on agricultural lands in this state of not less than three times the value of the amount loaned, exclusive of perishable improvements, and of unexceptional title and free from all encumbrances;

(l) Farm loan bonds, consolidated farm loan bonds, debentures, consolidated debentures and other obligations issued by federal land banks and federal intermediate credit banks under the authority of the Federal Farm Loan Act, formerly 12 U.S.C. §§ 636 to 1012, inclusive, and §§ 1021 to 1129, inclusive, and the Farm Credit Act of 1971, 12 U.S.C. §§ 2001 to 2259, inclusive, and bonds, debentures, consolidated debentures and other obligations issued by banks for cooperatives under the authority of the Farm Credit Act of 1933, formerly 12 U.S.C. §§ 1131 to 1138e, inclusive, and the Farm Credit Act of 1971, 12 U.S.C. §§ 2001 to 2259, inclusive, excluding such money thereof as has been received or which may be received hereafter from the Federal Government or received pursuant to some federal law which governs the investment thereof;

(m) Negotiable certificates of deposit issued by commercial banks or insured savings and loan associations;

(n) Bankers' acceptances of the kind and maturities made eligible by law for rediscount with Federal Reserve banks or trust companies which are members of the Federal Reserve System, except that acceptances may not exceed 180 days' maturity, and may not, in aggregate value, exceed 20 percent of the total par value of the portfolio as determined on the date of purchase;

(o) Commercial paper issued by a corporation organized and operating in the United States or by a depository institution licensed by the United States or any state and operating in the United States that:

(1) At the time of purchase has a remaining term to maturity of no more than 270 days; and

(2) Is rated by a nationally recognized rating service as “A-1,” “P-1” or its equivalent, or better,

except that investments pursuant to this paragraph may not, in aggregate value, exceed 20 percent of the total par value of the portfolio as determined on the date of purchase, and if the rating of an obligation is reduced to a level that does not meet the requirements of this paragraph, it must be sold as soon as possible;

(p) Notes, bonds and other unconditional obligations for the payment of money, except certificates of deposit that do not qualify pursuant to paragraph (m), issued by corporations organized and operating in the United States or by depository institutions licensed by the United States or any state and operating in the United States that:

(1) Are purchased from a registered broker-dealer;

(2) At the time of purchase have a remaining term to maturity of no more than ~~[3]~~ ***5*** years; and

(3) Are rated by a nationally recognized rating service as “A” or its equivalent, or better,

except that investments pursuant to this paragraph may not, in aggregate value, exceed 20 percent of the total par value of the portfolio, and if the rating of an obligation is reduced to a level that does not meet the requirements of this paragraph, it must be sold as soon as possible;

(q) Money market mutual funds which:

(1) Are registered with the Securities and Exchange Commission;

(2) Are rated by a nationally recognized rating service as “AAA” or its equivalent; and

(3) Invest only in securities issued by the Federal Government or agencies of the Federal Government or in repurchase agreements fully collateralized by such securities; ~~[and]~~

(r) Collateralized mortgage obligations that are rated by a nationally recognized rating service as “AAA” or its equivalent ~~[.]~~ ***; and***

(s) Asset-backed securities that are rated by a nationally recognized rating service as “AAA” or its equivalent.

2. Repurchase agreements are proper and lawful investments of money of the state and the state insurance fund for the purchase or sale of securities which are negotiable and of the types listed in subsection 1 if made in accordance with the following conditions:

(a) The state treasurer shall designate in advance and thereafter maintain a list of qualified counterparties which:

(1) Regularly provide audited and, if available, unaudited financial statements to the state treasurer;

(2) The state treasurer has determined to have adequate capitalization and earnings and appropriate assets to be highly credit worthy; and

(3) Have executed a written master repurchase agreement in a form satisfactory to the state treasurer and the state board of finance pursuant to which all repurchase agreements are entered into. The master repurchase agreement must require the prompt delivery to the state treasurer and the appointed custodian of written confirmations of all transactions conducted thereunder, and must be developed giving consideration to the Federal Bankruptcy Act.

(b) In all repurchase agreements:

(1) At or before the time money to pay the purchase price is transferred, title to the purchased securities must be recorded in the name of the appointed custodian, or the purchased securities must be delivered with all appropriate, executed transfer instruments by physical delivery to the custodian;

(2) The state must enter ***into*** a written contract with the custodian appointed pursuant to subparagraph (1) which requires the custodian to:

(I) Disburse cash for repurchase agreements only upon receipt of the underlying securities;

(II) Notify the state when the securities are marked to the market if the required margin on the agreement is not maintained;

(III) Hold the securities separate from the assets of the custodian; and

(IV) Report periodically to the state concerning the market value of the securities;

(3) The market value of the purchased securities must exceed 102 percent of the repurchase price to be paid by the counterparty and the value of the purchased securities must be marked to the market weekly;

(4) The date on which the securities are to be repurchased must not be more than 90 days after the date of purchase; and

(5) The purchased securities must not have a term to maturity at the time of purchase in excess of 10 years.

3. As used in subsection 2:

(a) "Counterparty" means a bank organized and operating or licensed to operate in the United States pursuant to federal or state law or a securities dealer which is:

(1) A registered broker-dealer;

(2) Designated by the Federal Reserve Bank of New York as a "primary" dealer in United States government securities; and

(3) In full compliance with all applicable capital requirements.

(b) "Repurchase agreement" means a purchase of securities by the state or state insurance fund from a counterparty which commits to repurchase those securities or securities of the same issuer, description, issue date and maturity on or before a specified date for a specified price.

4. No money of this state may be invested pursuant to a reverse-repurchase agreement, except money invested pursuant to chapter 286 or chapters 616A to 616D, inclusive, of NRS.

Sec. 2. NRS 226.110 is hereby amended to read as follows:

226.110 The state treasurer:

1. Shall receive and keep all money of the state which is not expressly required by law to be received and kept by some other person.

2. Shall receipt to the state controller for all money received, from whatever source, at the time of receiving it.

3. Shall establish the policies to be followed in the investment of money of the state, subject to the periodic review and approval or disapproval of those policies by the state board of finance.

4. ***May employ any necessary investment and financial advisers to render advice and other services in connection with the investment of money of the state.***

5. Shall disburse the public money upon warrants drawn upon the treasury by the state controller, and not otherwise. The warrants must be registered ~~[,]~~ and paid in the order of their registry. The state treasurer may use any sampling or post-audit technique, or both, which he considers reasonable to verify the proper distribution of warrants.

~~[5.]~~ ***6.*** Shall keep a just, true and comprehensive account of all money received and disbursed.

~~[6.]~~ ***7.*** Shall deliver in good order to his successor in office all money, records, books, papers and other things belonging to his office.

~~[7.]~~ ***8.*** Shall fix, charge and collect reasonable fees for:

(a) Investing the money in any fund or account which is credited for interest earned on money deposited in it; and

(b) Special services rendered to other state agencies or to members of the public which increase the cost of operating his office.

~~[8.]~~ ***9.*** Serves as the primary representative of the state in matters concerning any nationally recognized bond credit rating agency for the purposes of the issuance of any obligation authorized on the behalf and in the name of the state, except as otherwise provided in NRS 538.206 and except for those obligations issued pursuant to chapter 319 of NRS and NRS 349.400 to 349.987, inclusive.

~~[9.]~~ ***10.*** Is directly responsible for the issuance of any obligation authorized on the behalf and in the name of the state, except as otherwise provided in NRS 538.206 and except for those obligations issued pursuant to chapter 319 of NRS and NRS 349.400 to 349.987, inclusive. The state treasurer shall issue such an obligation as soon as practicable after receiving a request from a state agency for the issuance of the obligation.

~~[10.]~~ ***11.*** May organize and facilitate statewide pooled financing programs, including lease purchases, for the benefit of the state and any political subdivision, including districts organized pursuant to NRS 450.550 to 450.750, inclusive, and chapters 244A, 309, 318, 379, 474, 541, 543 and 555 of NRS.

Sec. 3. This act becomes effective on July 1, 1999.

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