

Senate Bill No. 487—Committee on Government Affairs

CHAPTER.....

AN ACT relating to public investments; authorizing additional types of investments for money in certain public funds; 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 355.060 is hereby amended to read as follows:

355.060 1. The state controller shall notify the state treasurer monthly of the amount of uninvested money in the state permanent school fund.

2. Whenever there is a sufficient amount of money for investment in the state permanent school fund, the state treasurer shall proceed to negotiate for the investment of the money in:

(a) United States bonds . ~~††~~

(b) Obligations or certificates of the Federal National Mortgage Association, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal Farm Credit Banks Funding Corporation or the Student Loan Marketing Association, whether or not guaranteed by the United States . ~~††~~

(c) Bonds of this state or of other states . ~~††~~

(d) Bonds of any county of the State of Nevada . ~~††~~

(e) United States treasury notes . ~~††~~

(f) Farm mortgage loans fully insured and guaranteed by the Farmers Home Administration of the United States Department of Agriculture . ~~††~~

(g) Loans at a rate of interest of not less than 6 percent per annum, secured by mortgage on agricultural lands in this state of not less than three times the value of the amount loaned, exclusive of perishable improvements, of unexceptional title and free from all encumbrances . ~~††~~  
~~or†~~

(h) Money market mutual funds that:

(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 or guaranteed as to payment of principal and interest by the Federal Government, or its agencies or instrumentalities, or in repurchase agreements that are fully collateralized by such securities.

*(i) Common or preferred stock of a corporation created by or existing under the laws of the United States or of a state, district or territory of the United States, if:*

*(1) The stock of the corporation is:*

*(I) Listed on a national stock exchange; or*

*(II) Traded in the over-the-counter market, if the price quotations for the over-the-counter stock are quoted by the National Association of Securities Dealers Automated Quotations System (NASDAQ);*

*(2) The outstanding shares of the corporation have a total market value of not less than \$50,000,000;*

*(3) The maximum investment in stock is not greater than 50 percent of the book value of the total investments of the state permanent school fund;*

*(4) Except for investments made pursuant to paragraph (k), the amount of an investment in a single corporation is not greater than 3 percent of the book value of the assets of the state permanent school fund; and*

*(5) Except for investments made pursuant to paragraph (k), the total amount of shares owned by the state permanent school fund is not greater than 5 percent of the outstanding stock of a single corporation.*

*(j) A pooled or commingled real estate fund or a real estate security that is managed by a corporate trustee or by an investment advisory firm that is registered with the Securities and Exchange Commission, either of which may be retained by the state treasurer as an investment manager. The shares and the pooled or commingled fund must be held in trust. The total book value of an investment made under this paragraph must not at any time be greater than 5 percent of the total book value of all investments of the state permanent school fund.*

*(k) Mutual funds or common trust funds that consist of any combination of the investments listed in paragraphs (a) to (j), inclusive.*

*3. The state treasurer shall not invest any money in the state permanent school fund pursuant to paragraph (i), (j) or (k) of subsection 2 unless the state treasurer obtains a judicial determination that the proposed investment or category of investments will not violate the provisions of section 9 of article 8 of the constitution of the State of Nevada. The state treasurer shall contract for the services of independent contractors to manage any investments of the state treasurer made pursuant to paragraph (i), (j) or (k) of subsection 2. The state treasurer shall establish such criteria for the qualifications of such an independent contractor as are appropriate to ensure that each independent contractor has expertise in the management of such investments.*

*4. In addition to the investments authorized by subsection 2, the state treasurer may make loans of money from the state permanent school fund to school districts pursuant to NRS 387.526.*

~~4-1~~ *5. No part of the state permanent school fund may be invested pursuant to a reverse-repurchase agreement.*

**Sec. 2.** 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 Agricultural Mortgage Corporation*, 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 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, insured credit unions or 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 not 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 not more than 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;

(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, 11 U.S.C. §§ 101 et seq.

(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 of NRS.

**Sec. 3.** NRS 355.170 is hereby amended to read as follows:

355.170 1. Except as otherwise provided in this section, NRS 354.750 and section 1 of ~~this act,~~ *Assembly Bill No. 96 of this session*, a board of county commissioners, a board of trustees of a county school district or the governing body of an incorporated city may purchase for investment the following securities and no others:

(a) Bonds and debentures of the United States, the maturity dates of which do not extend more than 10 years after the date of purchase.

(b) 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.

(c) Bills and notes of the United States Treasury, the maturity date of which is not more than 10 years after the date of purchase.

(d) Obligations of an agency or instrumentality of the United States of America or a corporation sponsored by the government, the maturity date of which is not more than 10 years after the date of purchase.

(e) Negotiable certificates of deposit issued by commercial banks, insured credit unions or savings and loan associations.

(f) Securities which have been expressly authorized as investments for local governments or agencies, as defined in NRS 354.474, by any provision of Nevada Revised Statutes or by any special law.

(g) Nonnegotiable certificates of deposit issued by insured commercial banks, insured credit unions or insured savings and loan associations, except certificates that are not within the limits of insurance provided by an instrumentality of the United States, unless those certificates are collateralized in the same manner as is required for uninsured deposits by a county treasurer pursuant to NRS 356.133. For the purposes of this paragraph, any reference in NRS 356.133 to a “county treasurer” or “board of county commissioners” shall be deemed to refer to the appropriate financial officer or governing body of the county, school district or city purchasing the certificates.

(h) Subject to the limitations contained in NRS 355.177, negotiable notes or short-time negotiable bonds issued by local governments of the State of Nevada pursuant to NRS 350.091.

(i) Bankers’ acceptances of the kind and maturities made eligible by law for rediscount with Federal Reserve Banks, and generally accepted by banks or trust companies which are members of the Federal Reserve System. Eligible bankers’ acceptances may not exceed 180 days’ maturity. Purchases of bankers’ acceptances may not exceed 20 percent of the money available to a local government for investment as determined on the date of purchase.

(j) Obligations of state and local governments if:

(1) The interest on the obligation is exempt from gross income for federal income tax purposes; and

(2) The obligation has been rated “A” or higher by one or more nationally recognized bond credit rating agencies.

(k) 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) Is purchased from a registered broker-dealer;

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

(3) 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 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.

(l) 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:

(I) Securities issued by the Federal Government or agencies of the Federal Government;

(II) Master notes, bank notes or other short-term commercial paper rated by a nationally recognized rating service as “A-1,” “P-1” or its equivalent, or better, 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; or

(III) Repurchase agreements that are fully collateralized by the obligations described in sub-subparagraphs (I) and (II).

***(m) Obligations of the Federal Agricultural Mortgage Corporation.***

2. Repurchase agreements are proper and lawful investments of money of a board of county commissioners, a board of trustees of a county school district or a governing body of an incorporated city 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 board of county commissioners, the board of trustees of the school district or the governing body of the city shall designate in advance and thereafter maintain a list of qualified counterparties which:

(1) Regularly provide audited and, if available, unaudited financial statements;

(2) The board of county commissioners, the board of trustees of the school district or the governing body of the city 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 board of county commissioners, the board of trustees of the school district or the governing body of the city pursuant to which all repurchase agreements are entered into. The master repurchase agreement must require the prompt delivery to the board of county commissioners, the board of trustees of the school district or the governing body of the city 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 board of county commissioners, the board of trustees of the school district or the governing body of the city must enter 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 board of county commissioners, the board of trustees of the school district or the governing body of the city 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 board of county commissioners, the board of trustees of the school district or the governing body of the city 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. The securities described in paragraphs (a), (b) and (c) of subsection 1 and the repurchase agreements described in subsection 2 may be purchased when, in the opinion of the board of county commissioners, the board of trustees of a county school district or the governing body of the city, there is sufficient money in any fund of the county, the school district or city to purchase those securities and the purchase will not result in the impairment of the fund for the purposes for which it was created.

4. When the board of county commissioners, the board of trustees of a county school district or governing body of the city has determined that there is available money in any fund or funds for the purchase of bonds as set out in subsection 1 or 2, those purchases may be made and the bonds paid for out of any one or more of the funds, but the bonds must be credited to the funds in the amounts purchased, and the money received from the redemption of the bonds, as and when redeemed, must go back into the fund or funds from which the purchase money was taken originally.

5. Any interest earned on money invested pursuant to subsection 3, may, at the discretion of the board of county commissioners, the board of trustees of a county school district or governing body of the city, be credited to the fund from which the principal was taken or to the general fund of the county, school district or incorporated city.

6. The board of county commissioners, the board of trustees of a county school district or governing body of an incorporated city may invest any money apportioned into funds and not invested pursuant to subsection 3 and any money not apportioned into funds in bills and notes of the United States Treasury, the maturity date of which is not more than 1 year after the date of investment. These investments must be considered as cash for



accounting purposes, and all the interest earned on them must be credited to the general fund of the county, school district or incorporated city.

7. This section does not authorize the investment of money administered pursuant to a contract, debenture agreement or grant in a manner not authorized by the terms of the contract, agreement or grant.

8. As used in this section:

(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 a board of county commissioners, the board of trustees of a county school district or the governing body of an incorporated city 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.

**Sec. 4.** NRS 396.926 is hereby amended to read as follows:

396.926 1. The millennium scholarship trust fund is hereby created in the state treasury. The state treasurer may accept gifts, grants, bequests and donations for deposit in the trust fund.

2. The state treasurer shall deposit in the trust fund:

(a) Forty percent of all money received by the State of Nevada pursuant to any settlement entered into by the State of Nevada and a manufacturer of tobacco products;

(b) Forty percent of all money recovered by the State of Nevada from a judgment in a civil action against a manufacturer of tobacco products; and

(c) Any gifts, grants, bequests or donations specifically designated for the trust fund by the donor.

3. The state treasurer shall administer the trust fund. As administrator of the trust fund, the state treasurer ~~is~~, *except as otherwise provided in this section:*

(a) Shall maintain the financial records of the trust fund;

(b) Shall invest the money in the trust fund as the money in other state funds is invested;

(c) Shall manage any account associated with the trust fund;

(d) Shall maintain any instruments that evidence investments made with the money in the trust fund;

(e) May contract with vendors for any good or service that is necessary to carry out the provisions of this section; and

(f) May perform any other duties necessary to administer the trust fund.

4. *In addition to the investments authorized pursuant to paragraph (b) of subsection 3, the state treasurer may, except as otherwise provided in subsection 5, invest the money in the trust fund in:*

*(a) Common or preferred stock of a corporation created by or existing under the laws of the United States or of a state, district or territory of the United States, if:*

*(1) The stock of the corporation is:*

(I) *Listed on a national stock exchange; or*  
(II) *Traded in the over-the-counter market, if the price quotations for the over-the-counter stock are quoted by the National Association of Securities Dealers Automated Quotations System (NASDAQ);*

(2) *The outstanding shares of the corporation have a total market value of not less than \$50,000,000;*

(3) *The maximum investment in stock is not greater than 25 percent of the book value of the total investments of the trust fund;*

(4) *Except for investments made pursuant to paragraph (c), the amount of an investment in a single corporation is not greater than 3 percent of the book value of the assets of the trust fund; and*

(5) *Except for investments made pursuant to paragraph (c), the total amount of shares owned by the trust fund is not greater than 5 percent of the outstanding stock of a single corporation.*

(b) *A pooled or commingled real estate fund or a real estate security that is managed by a corporate trustee or by an investment advisory firm that is registered with the Securities and Exchange Commission, either of which may be retained by the state treasurer as an investment manager. The shares and the pooled or commingled fund must be held in trust. The total book value of an investment made under this paragraph must not at any time be greater than 5 percent of the total book value of all investments of the trust fund.*

(c) *Mutual funds or common trust funds that consist of any combination of the investments authorized pursuant to paragraph (b) of subsection 3 and paragraphs (a) and (b) of this subsection.*

5. *The state treasurer shall not invest any money in the trust fund pursuant to subsection 4 unless the state treasurer obtains a judicial determination that the proposed investment or category of investments will not violate the provisions of section 9 of article 8 of the constitution of the State of Nevada. The state treasurer shall contract for the services of independent contractors to manage any investments of the state treasurer made pursuant to subsection 4. The state treasurer shall establish such criteria for the qualifications of such an independent contractor as are appropriate to ensure that each independent contractor has expertise in the management of such investments.*

6. All interest and income earned on the money in the trust fund must, after deducting any applicable charges, be credited to the trust fund. All claims against the trust fund must be paid as other claims against the state are paid.

~~15-1~~ 7. Not more than 2 percent of the amount of money in the trust fund may be used to pay the costs of administering the trust fund.

~~16-1~~ 8. The money in the *trust* fund remains in the fund and does not revert to the state general fund at the end of any fiscal year.

~~17-1~~ 9. Money in the trust fund may be used only for the purposes set forth in NRS 396.914 to 396.934, inclusive.

**Sec. 5.** NRS 439.605 is hereby amended to read as follows:

439.605 1. The trust fund for public health is hereby created in the state treasury. The state treasurer shall deposit in the trust fund:

(a) Ten percent of all money received by this state pursuant to any settlement entered into by the State of Nevada and a manufacturer of tobacco products; and

(b) Ten percent of all money recovered by this state from a judgment in a civil action against a manufacturer of tobacco products.

2. The state treasurer shall administer the trust fund. As administrator of the trust fund, the state treasurer ~~shall~~, *except as otherwise provided in this section:*

(a) Shall maintain the financial records of the trust fund;

(b) Shall invest the money in the trust fund as the money in other state funds is invested;

(c) Shall manage any account associated with the trust fund;

(d) Shall maintain any instruments that evidence investments made with the money in the trust fund;

(e) May contract with vendors for any good or service that is necessary to carry out the provisions of this section; and

(f) May perform any other duties necessary to administer the trust fund.

3. *In addition to the investments authorized pursuant to paragraph (b) of subsection 2, the state treasurer may, except as otherwise provided in subsection 4, invest the money in the trust fund in:*

*(a) Common or preferred stock of a corporation created by or existing under the laws of the United States or of a state, district or territory of the United States, if:*

*(1) The stock of the corporation is:*

*(I) Listed on a national stock exchange; or*

*(II) Traded in the over-the-counter market, if the price quotations for the over-the-counter stock are quoted by the National Association of Securities Dealers Automated Quotations System (NASDAQ);*

*(2) The outstanding shares of the corporation have a total market value of not less than \$50,000,000;*

*(3) The maximum investment in stock is not greater than 50 percent of the book value of the total investments of the trust fund;*

*(4) Except for investments made pursuant to paragraph (c), the amount of an investment in a single corporation is not greater than 3 percent of the book value of the assets of the trust fund; and*

*(5) Except for investments made pursuant to paragraph (c), the total amount of shares owned by the trust fund is not greater than 5 percent of the outstanding stock of a single corporation.*

*(b) A pooled or commingled real estate fund or a real estate security that is managed by a corporate trustee or by an investment advisory firm that is registered with the Securities and Exchange Commission, either of which may be retained by the state treasurer as an investment manager. The shares and the pooled or commingled fund must be held in trust. The total book value of an investment made under this paragraph must not at any time be greater than 5 percent of the total book value of all investments of the trust fund.*

*(c) Mutual funds or common trust funds that consist of any combination of the investments authorized pursuant to paragraph (b) of subsection 2 and paragraphs (a) and (b) of this subsection.*

*4. The state treasurer shall not invest any money in the trust fund pursuant to subsection 3 unless the state treasurer obtains a judicial determination that the proposed investment or category of investments will not violate the provisions of section 9 of article 8 of the constitution of the State of Nevada. The state treasurer shall contract for the services of independent contractors to manage any investments of the state treasurer made pursuant to subsection 3. The state treasurer shall establish such criteria for the qualifications of such an independent contractor as are appropriate to ensure that each independent contractor has expertise in the management of such investments.*

5. The interest and income earned on the money in the trust fund is hereby appropriated to the board of trustees of the trust fund for public health and must, after deducting any applicable charges, be credited to the fund and accounted for separately. All claims against the fund must be paid as other claims against the state are paid.

~~14.1~~ 6. Only the interest and income earned on the money in the trust fund may be expended. Such expenditures may only be made for:

(a) Grants made pursuant to NRS 439.615 for:

(1) The promotion of public health and programs for the prevention of disease or illness;

(2) Research on issues related to public health; and

(3) The provision of direct health care services to children and senior citizens;

(b) Expenses related to the operation of the board of trustees of the trust fund; and

(c) Actual costs incurred by the health division for providing administrative assistance to the board, but in no event may more than 2 percent of the money in the fund be used for administrative expenses or other indirect costs.

~~15.1~~ 7. The money in the trust fund remains in the fund and does not revert to the state general fund at the end of any fiscal year.

**Sec. 6.** NRS 439.615 is hereby amended to read as follows:

439.615 1. The board of trustees shall:

(a) In accordance with the provisions set forth in subsection ~~14.1~~ 6 of NRS 439.605, develop policies and procedures for the expenditure of the interest and income earned on the money in the trust fund for public health.

(b) After deducting authorized expenses, annually make grants in a cumulative amount equal to the interest and income earned on the money in the trust fund for public health.

(c) Develop forms for requests for proposals for grants and disseminate information about the grant program. A condition of each such grant must be that not more than 8 percent of the grant may be used for administrative expenses and other indirect costs.

(d) Publish an annual report of the activities of the board and the grants made by the board. A copy of each such report must be transmitted to the governor and to the director of the legislative counsel bureau for transmittal to the legislature.

2. The board may take such other actions as are necessary to carry out its duties and the provisions of this section and NRS 439.605 and 439.610.

**Sec. 7.** (Deleted by amendment.)

**Sec. 8.** 1. This section and sections 1, 2 and 4 to 7, inclusive, of this act become effective on July 1, 2001.

2. Section 3 of this act becomes effective at 12:01 a.m. on July 1, 2001.