

(REPRINTED WITH ADOPTED AMENDMENTS)
FIRST REPRINT **S.B. 487**

SENATE BILL NO. 487—COMMITTEE ON GOVERNMENT AFFAIRS

(ON BEHALF OF OFFICE OF THE STATE TREASURER)

MARCH 26, 2001

Referred to Committee on Government Affairs

SUMMARY—Authorizes additional types of investments for money in certain public funds.
(BDR 31-359)

FISCAL NOTE: Effect on Local Government: No.
 Effect on the State: 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; 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:

- 1 **Section 1.** NRS 355.060 is hereby amended to read as follows:
2 355.060 1. The state controller shall notify the state treasurer
3 monthly of the amount of uninvested money in the state permanent school
4 fund.
5 2. Whenever there is a sufficient amount of money for investment in
6 the state permanent school fund, the state treasurer shall proceed to
7 negotiate for the investment of the money in:
8 (a) United States bonds . ~~††~~
9 (b) Obligations or certificates of the Federal National Mortgage
10 Association, the Federal Home Loan Banks, the Federal Home Loan
11 Mortgage Corporation, the Federal Farm Credit Banks Funding
12 Corporation or the Student Loan Marketing Association, whether or not
13 guaranteed by the United States . ~~††~~
14 (c) Bonds of this state or of other states . ~~††~~
15 (d) Bonds of any county of the State of Nevada . ~~††~~
16 (e) United States treasury notes . ~~††~~
17 (f) Farm mortgage loans fully insured and guaranteed by the Farmers
18 Home Administration of the United States Department of Agriculture . ~~††~~
19 (g) Loans at a rate of interest of not less than 6 percent per annum,
20 secured by mortgage on agricultural lands in this state of not less than three



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1 times the value of the amount loaned, exclusive of perishable
2 improvements, of unexceptional title and free from all encumbrances . ‡

3 ~~or~~

4 (h) Money market mutual funds that:

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

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

8 (3) Invest only in securities issued or guaranteed as to payment of
9 principal and interest by the Federal Government, or its agencies or
10 instrumentalities, or in repurchase agreements that are fully collateralized
11 by such securities.

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

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

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

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

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

23 (3) *The maximum investment in stock is not greater than 60 percent*
24 *of the book value of the total investments of the state permanent school*
25 *fund;*

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

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

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

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

43 3. *The state treasurer shall not invest any money in the state*
44 *permanent school fund pursuant to paragraph (i), (j) or (k) of subsection*
45 *2 unless the state treasurer obtains a judicial determination that the*
46 *proposed investment or category of investments will not violate the*
47 *provisions of section 9 of article 8 of the constitution of the State of*
48 *Nevada. The state treasurer shall contract for the services of independent*
49 *contractors to manage any investments of the state treasurer made*



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1 *pursuant to paragraph (i), (j) or (k) of subsection 2. The state treasurer*
2 *shall establish such criteria for the qualifications of such an independent*
3 *contractor as are appropriate to ensure that each independent contractor*
4 *has expertise in the management of such investments.*

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

8 ~~4-1~~ 5. No part of the state permanent school fund may be invested
9 pursuant to a reverse-repurchase agreement.

10 **Sec. 2.** NRS 355.140 is hereby amended to read as follows:

11 355.140 1. In addition to other investments provided for by a specific
12 statute, the following bonds and other securities are proper and lawful
13 investments of any of the money of this state, of its various departments,
14 institutions and agencies, and of the state insurance fund:

15 (a) Bonds and certificates of the United States;

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

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

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

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

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

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

35 (h) Bonds of school districts within this state;

36 (i) Bonds of any general improvement district whose population is
37 200,000 or more and which is situated in two or more counties of this state
38 or of any other state, if:

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

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

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

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



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1 (l) Farm loan bonds, consolidated farm loan bonds, debentures,
2 consolidated debentures and other obligations issued by federal land banks
3 and federal intermediate credit banks under the authority of the Federal
4 Farm Loan Act, formerly 12 U.S.C. §§ 636 to 1012, inclusive, and §§ 1021
5 to 1129, inclusive, and the Farm Credit Act of 1971, 12 U.S.C. §§ 2001 to
6 2259, inclusive, and bonds, debentures, consolidated debentures and other
7 obligations issued by banks for cooperatives under the authority of the
8 Farm Credit Act of 1933, formerly 12 U.S.C. §§ 1131 to 1138e, inclusive,
9 and the Farm Credit Act of 1971, 12 U.S.C. §§ 2001 to 2259, inclusive,
10 excluding such money thereof as has been received or which may be
11 received hereafter from the Federal Government or received pursuant to
12 some federal law which governs the investment thereof;

13 (m) Negotiable certificates of deposit issued by commercial banks,
14 insured credit unions or savings and loan associations;

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

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

24 (1) At the time of purchase has a remaining term to maturity of not
25 more than 270 days; and

26 (2) Is rated by a nationally recognized rating service as "A-1," "P-1"
27 or its equivalent, or better,
28 except that investments pursuant to this paragraph may not, in aggregate
29 value, exceed 20 percent of the total par value of the portfolio as
30 determined on the date of purchase, and if the rating of an obligation is
31 reduced to a level that does not meet the requirements of this paragraph, it
32 must be sold as soon as possible;

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

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

39 (2) At the time of purchase have a remaining term to maturity of not
40 more than 5 years; and

41 (3) Are rated by a nationally recognized rating service as "A" or its
42 equivalent, or better,

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

47 (q) Money market mutual funds which:

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



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- 1 (2) Are rated by a nationally recognized rating service as “AAA” or
2 its equivalent; and
- 3 (3) Invest only in securities issued by the Federal Government or
4 agencies of the Federal Government or in repurchase agreements fully
5 collateralized by such securities;
- 6 (r) Collateralized mortgage obligations that are rated by a nationally
7 recognized rating service as “AAA” or its equivalent; and
- 8 (s) Asset-backed securities that are rated by a nationally recognized
9 rating service as “AAA” or its equivalent.
- 10 2. Repurchase agreements are proper and lawful investments of money
11 of the state and the state insurance fund for the purchase or sale of
12 securities which are negotiable and of the types listed in subsection 1 if
13 made in accordance with the following conditions:
- 14 (a) The state treasurer shall designate in advance and thereafter maintain
15 a list of qualified counterparties which:
- 16 (1) Regularly provide audited and, if available, unaudited financial
17 statements to the state treasurer;
- 18 (2) The state treasurer has determined to have adequate capitalization
19 and earnings and appropriate assets to be highly credit worthy; and
- 20 (3) Have executed a written master repurchase agreement in a form
21 satisfactory to the state treasurer and the state board of finance pursuant to
22 which all repurchase agreements are entered into. The master repurchase
23 agreement must require the prompt delivery to the state treasurer and the
24 appointed custodian of written confirmations of all transactions conducted
25 thereunder, and must be developed giving consideration to the Federal
26 Bankruptcy Act, 11 U.S.C. §§ 101 et seq.
- 27 (b) In all repurchase agreements:
- 28 (1) At or before the time money to pay the purchase price is
29 transferred, title to the purchased securities must be recorded in the name
30 of the appointed custodian, or the purchased securities must be delivered
31 with all appropriate, executed transfer instruments by physical delivery to
32 the custodian;
- 33 (2) The state must enter into a written contract with the custodian
34 appointed pursuant to subparagraph (1) which requires the custodian to:
- 35 (I) Disburse cash for repurchase agreements only upon receipt of
36 the underlying securities;
- 37 (II) Notify the state when the securities are marked to the market if
38 the required margin on the agreement is not maintained;
- 39 (III) Hold the securities separate from the assets of the custodian;
40 and
- 41 (IV) Report periodically to the state concerning the market value of
42 the securities;
- 43 (3) The market value of the purchased securities must exceed 102
44 percent of the repurchase price to be paid by the counterparty and the value
45 of the purchased securities must be marked to the market weekly;
- 46 (4) The date on which the securities are to be repurchased must not
47 be more than 90 days after the date of purchase; and
- 48 (5) The purchased securities must not have a term to maturity at the
49 time of purchase in excess of 10 years.



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1 3. As used in subsection 2:

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

5 (1) A registered broker-dealer;

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

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

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

13 4. No money of this state may be invested pursuant to a reverse-
14 repurchase agreement, except money invested pursuant to chapter 286 of
15 NRS.

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

17 355.170 1. Except as otherwise provided in this section and in NRS
18 354.750, a board of county commissioners, a board of trustees of a county
19 school district or the governing body of an incorporated city may purchase
20 for investment the following securities and no others:

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

23 (b) Farm loan bonds, consolidated farm loan bonds, debentures,
24 consolidated debentures and other obligations issued by federal land banks
25 and federal intermediate credit banks under the authority of the Federal
26 Farm Loan Act, formerly 12 U.S.C. §§ 636 to 1012, inclusive, and §§ 1021
27 to 1129, inclusive, and the Farm Credit Act of 1971, 12 U.S.C. §§ 2001 to
28 2259, inclusive, and bonds, debentures, consolidated debentures and other
29 obligations issued by banks for cooperatives under the authority of the
30 Farm Credit Act of 1933, formerly 12 U.S.C. §§ 1131 to 1138e, inclusive,
31 and the Farm Credit Act of 1971, 12 U.S.C. §§ 2001 to 2259, inclusive.

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

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

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

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

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

45 (h) Bankers' acceptances of the kind and maturities made eligible by
46 law for rediscount with Federal Reserve Banks, and generally accepted by
47 banks or trust companies which are members of the Federal Reserve
48 System. Eligible bankers' acceptances may not exceed 180 days' maturity.
49 Purchases of bankers' acceptances may not exceed 20 percent of the



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- 1 money available to a local government for investment as determined on the
2 date of purchase.
- 3 (i) Obligations of state and local governments if:
- 4 (1) The interest on the obligation is exempt from gross income for
5 federal income tax purposes; and
- 6 (2) The obligation has been rated "A" or higher by one or more
7 nationally recognized bond credit rating agencies.
- 8 (j) Commercial paper issued by a corporation organized and operating
9 in the United States or by a depository institution licensed by the United
10 States or any state and operating in the United States that:
- 11 (1) Is purchased from a registered broker-dealer;
- 12 (2) At the time of purchase has a remaining term to maturity of no
13 more than 270 days; and
- 14 (3) Is rated by a nationally recognized rating service as "A-1," "P-1"
15 or its equivalent, or better,
- 16 except that investments pursuant to this paragraph may not, in aggregate
17 value, exceed 20 percent of the total portfolio as determined on the date of
18 purchase, and if the rating of an obligation is reduced to a level that does
19 not meet the requirements of this paragraph, it must be sold as soon as
20 possible.
- 21 (k) Money market mutual funds which:
- 22 (1) Are registered with the Securities and Exchange Commission;
- 23 (2) Are rated by a nationally recognized rating service as "AAA" or
24 its equivalent; and
- 25 (3) Invest only in securities issued by the Federal Government or
26 agencies of the Federal Government or in repurchase agreements fully
27 collateralized by such securities.
- 28 ***(l) Obligations of the Federal Agricultural Mortgage Corporation.***
- 29 2. Repurchase agreements are proper and lawful investments of money
30 of a board of county commissioners, a board of trustees of a county school
31 district or a governing body of an incorporated city for the purchase or sale
32 of securities which are negotiable and of the types listed in subsection 1 if
33 made in accordance with the following conditions:
- 34 (a) The board of county commissioners, the board of trustees of the
35 school district or the governing body of the city shall designate in advance
36 and thereafter maintain a list of qualified counterparties which:
- 37 (1) Regularly provide audited and, if available, unaudited financial
38 statements;
- 39 (2) The board of county commissioners, the board of trustees of the
40 school district or the governing body of the city has determined to have
41 adequate capitalization and earnings and appropriate assets to be highly
42 credit worthy; and
- 43 (3) Have executed a written master repurchase agreement in a form
44 satisfactory to the board of county commissioners, the board of trustees of
45 the school district or the governing body of the city pursuant to which all
46 repurchase agreements are entered into. The master repurchase agreement
47 must require the prompt delivery to the board of county commissioners, the
48 board of trustees of the school district or the governing body of the city and
49 the appointed custodian of written confirmations of all transactions



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1 conducted thereunder, and must be developed giving consideration to the
2 Federal Bankruptcy Act.

3 (b) In all repurchase agreements:

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

9 (2) The board of county commissioners, the board of trustees of the
10 school district or the governing body of the city must enter a written
11 contract with the custodian appointed pursuant to subparagraph (1) which
12 requires the custodian to:

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

15 (II) Notify the board of county commissioners, the board of
16 trustees of the school district or the governing body of the city when the
17 securities are marked to the market if the required margin on the agreement
18 is not maintained;

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

21 (IV) Report periodically to the board of county commissioners, the
22 board of trustees of the school district or the governing body of the city
23 concerning the market value of the securities;

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

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

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

31 3. The securities described in paragraphs (a), (b) and (c) of subsection
32 1 and the repurchase agreements described in subsection 2 may be
33 purchased when, in the opinion of the board of county commissioners, the
34 board of trustees of a county school district or the governing body of the
35 city, there is sufficient money in any fund of the county, the school district
36 or city to purchase those securities and the purchase will not result in the
37 impairment of the fund for the purposes for which it was created.

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

47 5. Any interest earned on money invested pursuant to subsection 3,
48 may, at the discretion of the board of county commissioners, the board of
49 trustees of a county school district or governing body of the city, be



1 credited to the fund from which the principal was taken or to the general
2 fund of the county, school district or incorporated city.

3 6. The board of county commissioners, the board of trustees of a
4 county school district or governing body of an incorporated city may invest
5 any money apportioned into funds and not invested pursuant to subsection
6 3 and any money not apportioned into funds in bills and notes of the United
7 States Treasury, the maturity date of which is not more than 1 year after the
8 date of investment. These investments must be considered as cash for
9 accounting purposes, and all the interest earned on them must be credited
10 to the general fund of the county, school district or incorporated city.

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

14 8. As used in this section:

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

18 (1) A registered broker-dealer;

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

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

22 (b) "Repurchase agreement" means a purchase of securities by a board
23 of county commissioners, the board of trustees of a county school district
24 or the governing body of an incorporated city from a counterparty which
25 commits to repurchase those securities or securities of the same issuer,
26 description, issue date and maturity on or before a specified date for a
27 specified price.

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

29 396.926 1. The millennium scholarship trust fund is hereby created
30 in the state treasury. The state treasurer may accept gifts, grants, bequests
31 and donations for deposit in the trust fund.

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

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

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

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

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

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

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

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

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



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- 1 (e) May contract with vendors for any good or service that is necessary
2 to carry out the provisions of this section; and
3 (f) May perform any other duties necessary to administer the trust fund.
- 4 4. *In addition to the investments authorized pursuant to paragraph*
5 *(b) of subsection 3, the state treasurer may, except as otherwise provided*
6 *in subsection 5, invest the money in the trust fund in:*
- 7 (a) *Common or preferred stock of a corporation created by or existing*
8 *under the laws of the United States or of a state, district or territory of the*
9 *United States, if:*
- 10 (1) *The stock of the corporation is:*
- 11 (I) *Listed on a national stock exchange; or*
- 12 (II) *Traded in the over-the-counter market, if the price*
13 *quotations for the over-the-counter stock are quoted by the National*
14 *Association of Securities Dealers Automated Quotations System*
15 *(NASDAQ);*
- 16 (2) *The outstanding shares of the corporation have a total market*
17 *value of not less than \$50,000,000;*
- 18 (3) *The maximum investment in stock is not greater than 60 percent*
19 *of the book value of the total investments of the trust fund;*
- 20 (4) *Except for investments made pursuant to paragraph (c), the*
21 *amount of an investment in a single corporation is not greater than 3*
22 *percent of the book value of the assets of the trust fund; and*
- 23 (5) *Except for investments made pursuant to paragraph (c), the*
24 *total amount of shares owned by the trust fund is not greater than 5*
25 *percent of the outstanding stock of a single corporation.*
- 26 (b) *A pooled or commingled real estate fund or a real estate security*
27 *that is managed by a corporate trustee or by an investment advisory firm*
28 *that is registered with the Securities and Exchange Commission, either of*
29 *which may be retained by the state treasurer as an investment manager.*
30 *The shares and the pooled or commingled fund must be held in trust.*
31 *The total book value of an investment made under this paragraph must*
32 *not at any time be greater than 5 percent of the total book value of all*
33 *investments of the trust fund.*
- 34 (c) *Mutual funds or common trust funds that consist of any*
35 *combination of the investments authorized pursuant to paragraph (b) of*
36 *subsection 3 and paragraphs (a) and (b) of this subsection.*
- 37 5. *The state treasurer shall not invest any money in the trust fund*
38 *pursuant to subsection 4 unless the state treasurer obtains a judicial*
39 *determination that the proposed investment or category of investments*
40 *will not violate the provisions of section 9 of article 8 of the constitution*
41 *of the State of Nevada. The state treasurer shall contract for the services*
42 *of independent contractors to manage any investments of the state*
43 *treasurer made pursuant to subsection 4. The state treasurer shall*
44 *establish such criteria for the qualifications of such an independent*
45 *contractor as are appropriate to ensure that each independent contractor*
46 *has expertise in the management of such investments.*
- 47 6. All interest and income earned on the money in the trust fund must,
48 after deducting any applicable charges, be credited to the trust fund. All



1 claims against the trust fund must be paid as other claims against the state
2 are paid.

3 ~~15-1~~ 7. Not more than 2 percent of the amount of money in the trust
4 fund may be used to pay the costs of administering the trust fund.

5 ~~16-1~~ 8. The money in the *trust* fund remains in the fund and does not
6 revert to the state general fund at the end of any fiscal year.

7 ~~17-1~~ 9. Money in the trust fund may be used only for the purposes set
8 forth in NRS 396.914 to 396.934, inclusive.

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

10 439.605 1. The trust fund for public health is hereby created in the
11 state treasury. The state treasurer shall deposit in the trust fund:

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

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

17 2. The state treasurer shall administer the trust fund. As administrator
18 of the trust fund, the state treasurer ~~18~~, *except as otherwise provided in*
19 *this section:*

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

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

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

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

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

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

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

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

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

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

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

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

43 (3) *The maximum investment in stock is not greater than 60 percent*
44 *of the book value of the total investments of the trust fund;*

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



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

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

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

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

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

30 ~~4-1~~ 6. Only the interest and income earned on the money in the trust
31 fund may be expended. Such expenditures may only be made for:

32 (a) Grants made pursuant to NRS 439.615 for:

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

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

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

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

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

44 ~~5-1~~ 7. The money in the trust fund remains in the fund and does not
45 revert to the state general fund at the end of any fiscal year.

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

47 439.615 1. The board of trustees shall:



* S B 4 8 7 R 1 *

1 (a) In accordance with the provisions set forth in subsection ~~44~~ 6 of
2 NRS 439.605, develop policies and procedures for the expenditure of the
3 interest and income earned on the money in the trust fund for public health.

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

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

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

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

17 **Sec. 7.** NRS 439.620 is hereby amended to read as follows:

18 439.620 1. The fund for a healthy Nevada is hereby created in the
19 state treasury. The state treasurer shall deposit in the fund:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



1 (3) *The maximum investment in stock is not greater than 60 percent*
2 *of the book value of the total investments of the fund;*
3 (4) *Except for investments made pursuant to paragraph (c), the*
4 *amount of an investment in a single corporation is not greater than 3*
5 *percent of the book value of the assets of the fund; and*
6 (5) *Except for investments made pursuant to paragraph (c), the*
7 *total amount of shares owned by the fund is not greater than 5 percent of*
8 *the outstanding stock of a single corporation.*
9 (b) *A pooled or commingled real estate fund or a real estate security*
10 *that is managed by a corporate trustee or by an investment advisory firm*
11 *that is registered with the Securities and Exchange Commission, either of*
12 *which may be retained by the state treasurer as an investment manager.*
13 *The shares and the pooled or commingled fund must be held in trust.*
14 *The total book value of an investment made under this paragraph must*
15 *not at any time be greater than 5 percent of the total book value of all*
16 *investments of the fund for a healthy Nevada.*
17 (c) *Mutual funds or common trust funds that consist of any*
18 *combination of the investments authorized pursuant to paragraph (b) of*
19 *subsection 2 and paragraphs (a) and (b) of this subsection.*
20 4. *The state treasurer shall not invest any money in the fund for a*
21 *healthy Nevada pursuant to subsection 3 unless the state treasurer*
22 *obtains a judicial determination that the proposed investment or category*
23 *of investments will not violate the provisions of section 9 of article 8 of*
24 *the constitution of the State of Nevada. The state treasurer shall contract*
25 *for the services of independent contractors to manage any investments of*
26 *the state treasurer made pursuant to subsection 3. The state treasurer*
27 *shall establish such criteria for the qualifications of such an independent*
28 *contractor as are appropriate to ensure that each independent contractor*
29 *has expertise in the management of such investments.*
30 5. The interest and income earned on the money in the fund must, after
31 deducting any applicable charges, be credited to the fund. All claims
32 against the fund must be paid as other claims against the state are paid.
33 ~~4-1~~ 6. Not more than 2 percent of the money in the fund may be used
34 to pay the costs of administering the fund.
35 ~~5-1~~ 7. The money in the fund remains in the fund and does not revert
36 to the state general fund at the end of any fiscal year.
37 ~~6-1~~ 8. All money that is deposited or paid into the fund is hereby
38 appropriated to the department and, except as otherwise provided in
39 paragraphs (c) and (d) of subsection 1 of NRS 439.630, may only be
40 expended pursuant to an allocation made by the task force for the fund for
41 a healthy Nevada. Money expended from the fund for a healthy Nevada
42 must not be used to supplant existing methods of funding that are available
43 to public agencies.
44 **Sec. 8.** This act becomes effective on July 1, 2001.

