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SENATE BILL NO. 487—COMMITTEE ON GOVERNMENT AFFAIRS

(ON BEHALF OF OFFICE OF THE STATE TREASURER)

MARCH 26, 2001

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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.

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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



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 50 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*  
28 *3 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  
19 20 percent of the total par value of the portfolio as determined on the date  
20 of 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;



- 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  
44 102 percent of the repurchase price to be paid by the counterparty and the  
45 value 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, NRS  
18 354.750 and section 1 of ~~this act,~~ *Assembly Bill No. 96 of this session*, a  
19 board of county commissioners, a board of trustees of a county school  
20 district or the governing body of an incorporated city may purchase for  
21 investment the following securities and no others:

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

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

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

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

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

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

43 (g) Nonnegotiable certificates of deposit issued by insured commercial  
44 banks, insured credit unions or insured savings and loan associations,  
45 except certificates that are not within the limits of insurance provided by an  
46 instrumentality of the United States, unless those certificates are  
47 collateralized in the same manner as is required for uninsured deposits by a  
48 county treasurer pursuant to NRS 356.133. For the purposes of this  
49 paragraph, any reference in NRS 356.133 to a "county treasurer" or "board



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1 of county commissioners" shall be deemed to refer to the appropriate  
2 financial officer or governing body of the county, school district or city  
3 purchasing the certificates.

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

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

14 (j) Obligations of state and local governments if:

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

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

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

22 (1) Is purchased from a registered broker-dealer;

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

25 (3) Is rated by a nationally recognized rating service as "A-1," "P-1"  
26 or its equivalent, or better,

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

32 (l) Money market mutual funds which:

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

34 (2) Are rated by a nationally recognized rating service as "AAA" or  
35 its equivalent; and

36 (3) Invest only in:

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

39 (II) Master notes, bank notes or other short-term commercial paper  
40 rated by a nationally recognized rating service as "A-1," "P-1" or its  
41 equivalent, or better, issued by a corporation organized and operating in the  
42 United States or by a depository institution licensed by the United States or  
43 any state and operating in the United States; or

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

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

47 2. Repurchase agreements are proper and lawful investments of money  
48 of a board of county commissioners, a board of trustees of a county school  
49 district or a governing body of an incorporated city for the purchase or sale



1 of securities which are negotiable and of the types listed in subsection 1 if  
2 made in accordance with the following conditions:

3 (a) The board of county commissioners, the board of trustees of the  
4 school district or the governing body of the city shall designate in advance  
5 and thereafter maintain a list of qualified counterparties which:

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

8 (2) The board of county commissioners, the board of trustees of the  
9 school district or the governing body of the city has determined to have  
10 adequate capitalization and earnings and appropriate assets to be highly  
11 credit worthy; and

12 (3) Have executed a written master repurchase agreement in a form  
13 satisfactory to the board of county commissioners, the board of trustees of  
14 the school district or the governing body of the city pursuant to which all  
15 repurchase agreements are entered into. The master repurchase agreement  
16 must require the prompt delivery to the board of county commissioners, the  
17 board of trustees of the school district or the governing body of the city and  
18 the appointed custodian of written confirmations of all transactions  
19 conducted thereunder, and must be developed giving consideration to the  
20 Federal Bankruptcy Act.

21 (b) In all repurchase agreements:

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

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

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

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

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

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

42 (3) The market value of the purchased securities must exceed  
43 102 percent of the repurchase price to be paid by the counterparty and the  
44 value of the purchased securities must be marked to the market weekly;

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

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





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

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

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

22 6. The board of county commissioners, the board of trustees of a  
23 county school district or governing body of an incorporated city may invest  
24 any money apportioned into funds and not invested pursuant to subsection  
25 3 and any money not apportioned into funds in bills and notes of the United  
26 States Treasury, the maturity date of which is not more than 1 year after the  
27 date of investment. These investments must be considered as cash for  
28 accounting purposes, and all the interest earned on them must be credited  
29 to the general fund of the county, school district or incorporated city.

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

33 8. As used in this section:

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

37 (1) A registered broker-dealer;

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

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

41 (b) "Repurchase agreement" means a purchase of securities by a board  
42 of county commissioners, the board of trustees of a county school district  
43 or the governing body of an incorporated city from a counterparty which  
44 commits to repurchase those securities or securities of the same issuer,  
45 description, issue date and maturity on or before a specified date for a  
46 specified price.



1     **Sec. 4.** NRS 396.926 is hereby amended to read as follows:  
2     396.926 1. The millennium scholarship trust fund is hereby created  
3     in the state treasury. The state treasurer may accept gifts, grants, bequests  
4     and donations for deposit in the trust fund.  
5     2. The state treasurer shall deposit in the trust fund:  
6     (a) Forty percent of all money received by the State of Nevada pursuant  
7     to any settlement entered into by the State of Nevada and a manufacturer of  
8     tobacco products;  
9     (b) Forty percent of all money recovered by the State of Nevada from a  
10    judgment in a civil action against a manufacturer of tobacco products; and  
11    (c) Any gifts, grants, bequests or donations specifically designated for  
12    the trust fund by the donor.  
13    3. The state treasurer shall administer the trust fund. As administrator  
14    of the trust fund, the state treasurer ~~is~~, *except as otherwise provided in*  
15    *this section:*  
16    (a) Shall maintain the financial records of the trust fund;  
17    (b) Shall invest the money in the trust fund as the money in other state  
18    funds is invested;  
19    (c) Shall manage any account associated with the trust fund;  
20    (d) Shall maintain any instruments that evidence investments made with  
21    the money in the trust fund;  
22    (e) May contract with vendors for any good or service that is necessary  
23    to carry out the provisions of this section; and  
24    (f) May perform any other duties necessary to administer the trust fund.  
25    4. *In addition to the investments authorized pursuant to paragraph*  
26    *(b) of subsection 3, the state treasurer may, except as otherwise provided*  
27    *in subsection 5, invest the money in the trust fund in:*  
28    (a) *Common or preferred stock of a corporation created by or existing*  
29    *under the laws of the United States or of a state, district or territory of the*  
30    *United States, if:*  
31    (1) *The stock of the corporation is:*  
32    (i) *Listed on a national stock exchange; or*  
33    (ii) *Traded in the over-the-counter market, if the price*  
34    *quotations for the over-the-counter stock are quoted by the National*  
35    *Association of Securities Dealers Automated Quotations System*  
36    *(NASDAQ);*  
37    (2) *The outstanding shares of the corporation have a total market*  
38    *value of not less than \$50,000,000;*  
39    (3) *The maximum investment in stock is not greater than 25 percent*  
40    *of the book value of the total investments of the trust fund;*  
41    (4) *Except for investments made pursuant to paragraph (c), the*  
42    *amount of an investment in a single corporation is not greater than*  
43    *3 percent of the book value of the assets of the trust fund; and*  
44    (5) *Except for investments made pursuant to paragraph (c), the*  
45    *total amount of shares owned by the trust fund is not greater than*  
46    *5 percent of the outstanding stock of a single corporation.*  
47    (b) *A pooled or commingled real estate fund or a real estate security*  
48    *that is managed by a corporate trustee or by an investment advisory firm*  
49    *that is registered with the Securities and Exchange Commission, either of*



1 *which may be retained by the state treasurer as an investment manager.*  
2 *The shares and the pooled or commingled fund must be held in trust.*  
3 *The total book value of an investment made under this paragraph must*  
4 *not at any time be greater than 5 percent of the total book value of all*  
5 *investments of the trust fund.*

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

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

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

23 ~~15.1~~ 7. Not more than 2 percent of the amount of money in the trust  
24 fund may be used to pay the costs of administering the trust fund.

25 ~~16.1~~ 8. The money in the *trust* fund remains in the fund and does not  
26 revert to the state general fund at the end of any fiscal year.

27 ~~17.1~~ 9. Money in the trust fund may be used only for the purposes set  
28 forth in NRS 396.914 to 396.934, inclusive.

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

30 439.605 1. The trust fund for public health is hereby created in the  
31 state treasury. The state treasurer shall deposit in the trust fund:

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

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

37 2. The state treasurer shall administer the trust fund. As administrator  
38 of the trust fund, the state treasurer ~~1.1~~, *except as otherwise provided in*  
39 *this section:*

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

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

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

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

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

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



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



\* S B 4 8 7 R 3 \*

1 ~~14.1~~ 6. Only the interest and income earned on the money in the trust  
2 fund may be expended. Such expenditures may only be made for:  
3 (a) Grants made pursuant to NRS 439.615 for:  
4 (1) The promotion of public health and programs for the prevention  
5 of disease or illness;  
6 (2) Research on issues related to public health; and  
7 (3) The provision of direct health care services to children and senior  
8 citizens;  
9 (b) Expenses related to the operation of the board of trustees of the trust  
10 fund; and  
11 (c) Actual costs incurred by the health division for providing  
12 administrative assistance to the board, but in no event may more than  
13 2 percent of the money in the fund be used for administrative expenses or  
14 other indirect costs.  
15 ~~15.1~~ 7. The money in the trust fund remains in the fund and does not  
16 revert to the state general fund at the end of any fiscal year.  
17 **Sec. 6.** NRS 439.615 is hereby amended to read as follows:  
18 439.615 1. The board of trustees shall:  
19 (a) In accordance with the provisions set forth in subsection ~~14.1~~ 6 of  
20 NRS 439.605, develop policies and procedures for the expenditure of the  
21 interest and income earned on the money in the trust fund for public health.  
22 (b) After deducting authorized expenses, annually make grants in a  
23 cumulative amount equal to the interest and income earned on the money  
24 in the trust fund for public health.  
25 (c) Develop forms for requests for proposals for grants and disseminate  
26 information about the grant program. A condition of each such grant must  
27 be that not more than 8 percent of the grant may be used for administrative  
28 expenses and other indirect costs.  
29 (d) Publish an annual report of the activities of the board and the grants  
30 made by the board. A copy of each such report must be transmitted to the  
31 governor and to the director of the legislative counsel bureau for  
32 transmittal to the legislature.  
33 2. The board may take such other actions as are necessary to carry out  
34 its duties and the provisions of this section and NRS 439.605 and 439.610.  
35 **Sec. 7.** (Deleted by amendment.)  
36 **Sec. 8.** 1. This section and sections 1, 2 and 4 to 7, inclusive, of this  
37 act become effective on July 1, 2001.  
38 2. Section 3 of this act becomes effective at 12:01 a.m. on July 1,  
39 2001.

