

1 State of Arkansas
2 92nd General Assembly
3 Regular Session, 2019
4

A Bill

SENATE BILL 390

5 By: Senator K. Hammer
6

For An Act To Be Entitled

8 AN ACT TO REGULATE THE DEPOSIT AND INVESTMENT OF
9 CERTAIN FUNDS OF STATE AGENCIES AND INSTITUTIONS OF
10 HIGHER EDUCATION; TO REQUIRE CERTAIN CASH FUNDS TO BE
11 DEPOSITED INTO THE STATE TREASURY MONEY MANAGEMENT
12 TRUST; TO REQUIRE MONEYS IN THE PUBLIC SCHOOL FUND TO
13 BE DEPOSITED INTO THE STATE TREASURY MONEY MANAGEMENT
14 TRUST; TO PROVIDE FOR THE DEPOSIT OF SURPLUS LOCAL
15 SALES AND USE TAX FUNDS INTO THE STATE TREASURY MONEY
16 MANAGEMENT TRUST; TO ALLOW OTHER FUNDS TO BE
17 DEPOSITED INTO THE STATE TREASURY MONEY MANAGEMENT
18 TRUST; TO AMEND THE LAW CONCERNING THE LONG TERM
19 RESERVE FUND; TO ESTABLISH FEES FOR STATE AGENCY
20 FUNDS DEPOSITED INTO THE STATE TREASURY MONEY
21 MANAGEMENT TRUST; AND FOR OTHER PURPOSES.
22
23

Subtitle

24
25 TO AUTHORIZE AND REQUIRE CERTAIN FUNDS TO
26 BE DEPOSITED INTO THE STATE TREASURY
27 MONEY MANAGEMENT TRUST; TO AMEND THE LONG
28 TERM RESERVE FUND; AND TO ESTABLISH FEES
29 FOR FUNDS DEPOSITED INTO THE STATE
30 TREASURY MONEY MANAGEMENT TRUST.
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32

33 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
34

35 SECTION 1. Arkansas Code § 19-3-603 is amended to read as follows:
36 19-3-603. Authorized and required deposits.



1 ~~Any entity listed below may deposit money to~~ (a) The following may be
 2 deposited into the State Treasury Money Management Trust for the purpose of
 3 investment:

4 ~~(1) State agency's cash funds as defined in § 19-4-801;~~

5 ~~(2) Local governments;~~

6 ~~(A) Any (1) The funds of a city, county, or school~~
 7 ~~district, or community college district of this state; and~~

8 ~~(B) Any the funds of any department, instrumentality, or~~
 9 ~~agency of these entities; and a city, county, or school district of this~~
 10 state; and

11 (2) Except as otherwise prohibited by law, a trust fund
 12 established by the General Assembly.

13 (b)(1) Except as otherwise provided in this subsection and except as
 14 otherwise designated in accordance with law, the following shall be deposited
 15 into the State Treasury Money Management Trust for the purpose of investment:

16 (A)(i) A state agency's cash funds, as defined in § 19-4-
 17 801.

18 (ii) However, an institution of higher education may
 19 deposit its cash funds into the State Treasury Money Management Trust but is
 20 not required to do so; and

21 (B)(i) Distributions by the Department of Education from
 22 the Public School Fund to public school districts, as authorized by law.

23 (ii) The deposit of funds under subdivision
 24 (b)(1)(B)(i) of this section shall be by an electronic funds transfer to the
 25 State Treasury Money Management Trust on account for each public school
 26 district to be invested for the benefit of the public school district.

27 (2) Except as otherwise prohibited by law, the exempt funds
 28 identified in § 19-4-803 may be deposited into the State Treasury Money
 29 Management Trust but they are not required to be deposited into the State
 30 Treasury Money Management Trust.

31 (3)(A) The following shall submit a quarterly report to the
 32 Legislative Council or, if the General Assembly is in session, to the Joint
 33 Budget Committee:

34 (i) A state agency that has a cash fund that is
 35 maintained at one (1) or more depository banks designated by the state agency
 36 as allowed by law;

1 (ii) A public entity processing funds that:
2 (a) Have a cumulative depository balance
3 exceeding two million dollars (\$2,000,000) in any quarter;
4 (b) Are not prohibited by law from being
5 deposited into the State Treasury Money Management Trust; and
6 (c) The public entity chooses not to deposit
7 into the State Treasury Money Management Trust; and
8 (iii) A state agency with an exempt fund identified
9 under § 19-4-803 that is not prohibited by law from being deposited into the
10 State Treasury Money Management Trust but that the state agency chooses not
11 to deposit into the State Treasury Money Management Trust.

12 (B) The report required under subdivision (b)(3)(A) of
13 this section shall identify the:

14 (i) Financial institutions where the funds are
15 maintained;

16 (ii) Balance of the funds at each financial
17 institution at the end of the quarter;

18 (iii) Rate of return on the investment of the funds;
19 and

20 (iv) Interest earned on the funds.

21 (4)(A) Each institution of higher education and each public
22 school district that does not deposit its funds into the State Treasury Money
23 Management Trust under this section shall submit a quarterly report of all
24 funds committed, encumbered, unencumbered, invested, or held in an account
25 outside of the State Treasury.

26 (B) The report required under subdivision (b)(4)(A) of
27 this section shall:

28 (i) Be in the form prescribed by the Department of
29 Higher Education for institutions of higher education or by the Department of
30 Education for public school districts;

31 (ii) Contain the following information:

32 (a) The beginning balance of each fund for the
33 quarter;

34 (b) The ending balance of each fund for the
35 quarter;

36 (c) A listing of each separate account with

1 the source of revenues identified for each account;

2 (d) A statement of whether each account is
 3 held in a checking account, savings account, certificate of deposit, or other
 4 account portfolio or investment; and

5 (e) The percent, amount of interest earned,
 6 and amount of funds generated through investments, if any, during the quarter
 7 for each account; and

8 (iii) Be filed with the Department of Higher
 9 Education or the Department of Education by:

10 (a) April 30 for the first calendar quarter;

11 (b) July 31 for the second calendar quarter;

12 (c) October 31 for the third calendar quarter;

13 and

14 (d) January 31 for the fourth calendar
 15 quarter.

16 (C) As soon as practicable, the Department of Higher
 17 Education and the Department of Education shall compile and submit the
 18 reports received under subdivision (b)(4)(B)(iii) of this section to the
 19 Legislative Council or, if the General Assembly is in session, the Joint
 20 Budget Committee.

21 (D) A fund balance identified by an institution of higher
 22 education as funds of the foundation of the institution of higher education
 23 is exempt from the reporting requirement of this subdivision (b)(4).

24 ~~(3)~~ (c) The Treasurer of State may invest in the State Treasury
 25 Money Management Trust to the extent State Treasury funds are not being
 26 utilized for certificates of deposit under the State Treasury Certificate of
 27 Deposit Investment Program or for trust certificates of deposit ~~pursuant to~~
 28 under the State Treasury Management Law, § 19-3-501 et seq.

29
 30 SECTION 2. Arkansas Code § 19-3-604(c)-(f), concerning the State
 31 Treasury Money Management Trust, are amended to read as follows:

32 (c)(1) Moneys deposited into the State Treasury Money Management Trust
 33 by participants other than the State Treasury are not and shall not become
 34 part of State Treasury funds.

35 (2) The State Treasury Money Management Trust shall operate as a
 36 segregated account for custodial, depository, and accounting purposes.

1 (3)(A) A Except as required under § 19-3-603(b), a participant
2 may deposit at will into and, up to the balance of the participant's account,
3 obtain moneys upon demand from the State Treasury Money Management Trust.

4 (B) A demand for funds by a participant under this
5 subdivision (c)(3) shall be made by notice as prescribed by the State Board
6 of Finance.

7 (d) Each participant ~~who elects to deposit money~~ that deposits moneys
8 into the State Treasury Money Management Trust shall provide the account
9 information required by the State Board of Finance, including without
10 limitation the identity of any person authorized to conduct transactions on
11 behalf of the participant.

12 (e) ~~Any~~ A loss of principal or interest realized as the result of a
13 participant's demand for withdrawal of funds shall be incurred by the
14 participant requesting the withdrawal and deducted on the day the withdrawal
15 is made.

16 (f)(1) The Treasurer of State may+

17 ~~(A) Assess~~ assess reasonable charges against the account
18 of a participant in the State Treasury Money Management Trust for
19 reimbursement of administration and operational expenses; ~~and~~

20 ~~(B) Charge a reasonable fee for managing the State~~
21 ~~Treasury Money Management Trust.~~

22 (2)(A) The State Board of Finance shall set any charge or fee
23 imposed under this subsection.

24 (B) The charges and fees set by the State Board of Finance
25 under subdivision (f)(2)(A) of this section shall be deposited into the Long
26 Term Reserve Fund.

27 (3) ~~Charges and fees received under this subsection shall be~~
28 ~~deposited into the State Treasury in a fund for the benefit of the Treasurer~~
29 ~~of State.~~

31 SECTION 3. Arkansas Code § 19-4-805 is amended to read as follows:

32 19-4-805. Investment of fund balances.

33 (a)(1) The state-supported institutions of higher education ~~shall have~~
34 ~~the right to~~ may determine the depositories and the nature of investments of
35 any of their cash funds ~~which~~ that are not currently needed for operating
36 purposes.

(2) In making ~~these determinations~~ a determination under subdivision (a)(1) of this section, these institutions of higher education shall seek to obtain the highest possible rate of return for their investments.

(b) All cash fund agencies other than the state-supported institutions of higher education shall ~~request and abide by the recommendations of the State Board of Finance as to the best investment decisions for any idle cash balances~~ deposit their cash funds as required under § 19-3-603.

SECTION 4. Arkansas Code § 19-5-905(a)(7), concerning the use of the Securities Reserve Fund, is amended to read as follows:

(7) To distribute:

(A) Interest income earned on investment of balances of the following:

(i) The State Highway and Transportation Department Fund, as authorized by § 27-70-204;

(ii) The Game Protection Fund, as authorized by § 15-41-110;

(iii) The funds deposited into the State Treasury by state agencies, boards, and commissions that were previously held as cash funds in a bank depository or investment depository, as authorized by § 19-3-518(d); ~~and~~

(iv) State and Local Fiscal Assistance Act of 1972, 31 U.S.C. § 6701 et seq., as authorized by § 19-3-521(c); and

(v) The Long Term Reserve Fund, as authorized under § 19-6-486(h); and

(B) Interest income earned from investment of State Treasury balances by any other laws enacted by the General Assembly;

SECTION 5. Arkansas Code § 19-6-486(b), concerning the Long Term Reserve Fund, is amended to read as follows:

(b) The Long Term Reserve Fund shall consist of ~~such:~~

(1) Funds received from the charges and fees collected under § 19-3-604(f)(2)(B); and

(2) Any other funds as may be provided by the General Assembly.

SECTION 6. Arkansas Code § 19-6-486, concerning the Long Term Reserve Fund, is amended to add an additional subsection to read as follows:

(h)(1) Interest earned on the Long Term Reserve Fund is special revenue.

(2) On the second business day that the State Treasury is open following the twenty-fifth day of the month, the Treasurer of State shall:

(A) Compute the balance of the Long Term Reserve Fund for the immediately preceding month;

(B) Compute the interest on the balance of the Long Term Reserve Fund under § 19-3-518(d)(4); and

(C) After making the deductions stated in § 19-5-203(b)(2)(A) from the special revenues, transfer the remaining interest on the Long Term Reserve Fund to the Long Term Reserve Fund.

SECTION 7. Arkansas Code § 26-74-221(b)(2), concerning the administration of the Local Sales and Use Tax Trust Fund with respect to county sales and use taxes for capital improvements, is amended to read as follows:

(2)(A) After making the estimate, the administrator shall invest the estimated surplus amount in ~~certificates of deposit issued by any financial institution located in the State of Arkansas~~ the State Treasury Money Management Trust, as authorized in the State Treasury Money Management Trust Act, § 19-3-601 et seq.

(B) All interest income derived from the ~~certificates of deposit~~ investment of funds under subdivision (b)(2)(A) of this section shall be credited as trust fund income to the Local Sales and Use Tax Trust Fund.

SECTION 8. Arkansas Code § 26-74-317(b)(2), concerning the administration of the Local Sales and Use Tax Trust Fund with respect to county sales and use taxes for capital improvements, is amended to read as follows:

(2)(A) After making the estimate, the administrator shall invest the estimated surplus amount in ~~certificates of deposit issued by any financial institution located in the State of Arkansas~~ the State Treasury Money Management Trust, as authorized in the State Treasury Money Management Trust Act, § 19-3-601 et seq.

1 (B) All interest income derived from the ~~certificates of~~
 2 ~~deposit investment of funds under subdivision (b)(2)(A) of this section~~ shall
 3 be credited as trust fund income to the Local Sales and Use Tax Trust Fund.

4
 5 SECTION 9. Arkansas Code § 26-74-413(b)(2), concerning the
 6 administration of the Local Sales and Use Tax Trust Fund with respect to
 7 county sales and use taxes in counties without an existing tax, is amended to
 8 read as follows:

9 (2)(A) After making the estimate, the administrator shall invest
 10 the estimated surplus amount in ~~certificates of deposit issued by any~~
 11 ~~financial institution located in the State of Arkansas~~ the State Treasury
 12 Money Management Trust, as authorized in the State Treasury Money Management
 13 Trust Act, § 19-3-601 et seq.

14 (B) All interest income derived from the ~~certificates of~~
 15 ~~deposit investment of funds under subdivision (b)(2)(A) of this section~~ shall
 16 be credited as trust fund income to the Local Sales and Use Tax Trust Fund.

17
 18 SECTION 10. Arkansas Code § 26-74-613(b)(2), concerning the
 19 administration of the Local Sales and Use Tax Trust Fund with respect to
 20 county sales and use taxes for capital improvements of a community college,
 21 is amended to read as follows:

22 (2)(A) After making the estimate, the Treasurer of State shall
 23 invest the estimated surplus amount in ~~certificates of deposit issued by any~~
 24 ~~financial institution located in the State of Arkansas~~ the State Treasury
 25 Money Management Trust, as authorized in the State Treasury Money Management
 26 Trust Act, § 19-3-601 et seq.

27 (B) All interest income derived from the ~~certificates of~~
 28 ~~deposit investment of funds under subdivision (b)(2)(A) of this section~~ shall
 29 be credited as trust fund income to the Local Sales and Use Tax Trust Fund.

30
 31 SECTION 11. Arkansas Code § 26-75-223(b)(2), concerning the
 32 administration of the Local Sales and Use Tax Trust Fund with respect to
 33 municipal sales and use taxes for capital improvements, is amended to read as
 34 follows:

35 (2)(A) After making the estimate, the administrator shall invest
 36 the estimated surplus amount in ~~certificates of deposit issued by any~~

1 ~~financial institution located in the State of Arkansas~~ the State Treasury
2 Money Management Trust, as authorized in the State Treasury Money Management
3 Trust Act, § 19-3-601 et seq.

4 (B) All interest income derived from the ~~certificates of~~
5 ~~deposit investment of funds under subdivision (b)(2)(A) of this section~~ shall
6 be credited as trust fund income to the Local Sales and Use Tax Trust Fund.

7
8 SECTION 12. Arkansas Code § 26-75-318(b)(2), concerning the
9 administration of the Local Sales and Use Tax Trust Fund with respect to
10 municipal sales and use taxes for capital improvements, is amended to read as
11 follows:

12 (2)(A) After making the estimate, the administrator shall invest
13 the estimated surplus amount in ~~certificates of deposit issued by any~~
14 ~~financial institution located in the State of Arkansas~~ the State Treasury
15 Money Management Trust, as authorized in the State Treasury Money Management
16 Trust Act, § 19-3-601 et seq.

17 (B) All interest income derived from the ~~certificates of~~
18 ~~deposit investment of funds under subdivision (b)(2)(A) of this section~~ shall
19 be credited as trust fund income to the Local Sales and Use Tax Trust Fund.

20
21 SECTION 13. Arkansas Code § 26-82-113(b)(2), concerning the
22 administration of the Local Sales and Use Tax Trust Fund under the Local
23 Sales and Use Tax Economic Development Project Funding Act, is amended to
24 read as follows:

25 (2)(A) After making an estimate under subdivision (b)(1) of this
26 section, the Treasurer of State shall invest the estimated surplus amount in
27 ~~certificates of deposit issued by any financial institution located in the~~
28 ~~state~~ the State Treasury Money Management Trust, as authorized in the State
29 Treasury Money Management Trust Act, § 19-3-601 et seq.

30 (B) All interest income derived from the ~~certificates of~~
31 ~~deposit investment of funds under subdivision (b)(2)(A) of this section~~ shall
32 be credited as trust fund income to the Local Sales and Use Tax Trust Fund.