

By Representative Gay

1 A bill to be entitled
2 An act relating to financial matters; amending
3 s. 18.10, F.S., which provides requirements for
4 deposit and investment of state money;
5 authorizing, rather than requiring, that funds
6 not needed to meet the disbursement needs of
7 the state be placed in qualified public
8 depositories; providing for investment of any
9 remaining funds in the investments specified in
10 said section; revising the standards that
11 certain corporate obligations and state and
12 local government obligations must meet to be
13 qualified for such investment; authorizing
14 investment in certain foreign bonds and certain
15 convertible debt obligations of corporations
16 domiciled in the United States; providing an
17 effective date.

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19 Be It Enacted by the Legislature of the State of Florida:

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21 Section 1. Subsection (2) of section 18.10, Florida
22 Statutes, 1996 Supplement, is amended to read:

23 18.10 Deposits and investments of state money.--
24 (2) The Treasurer shall make funds available to meet
25 the disbursement needs of the state. Funds which are not
26 needed for this purpose may ~~shall~~ be placed in qualified
27 public depositories that will pay rates established by the
28 Treasurer at levels not less than the prevailing rate for
29 United States Treasury securities with a corresponding
30 maturity. In the event money is still available, the remainder
31 ~~for interest-bearing time deposits or savings accounts as~~

1 ~~provided herein and qualified public depositories are~~
2 ~~unwilling to accept such money and pay thereon the rates~~
3 ~~established above, then such money which qualified public~~
4 ~~depositories are unwilling to accept~~ shall be invested in:

5 (a) Direct United States Treasury obligations.

6 (b) Obligations of the Federal Farm Credit Banks.

7 (c) Obligations of the Federal Home Loan Bank and its
8 district banks.

9 (d) Obligations of the Federal Home Loan Mortgage
10 Corporation, including participation certificates.

11 (e) Obligations guaranteed by the Government National
12 Mortgage Association.

13 (f) Obligations of the Federal National Mortgage
14 Association.

15 (g) Commercial paper of prime quality of the highest
16 letter and numerical rating as provided for by at least one
17 nationally recognized rating service.

18 (h) Time drafts or bills of exchange drawn on and
19 accepted by a commercial bank, otherwise known as "bankers
20 acceptances," which are accepted by a member bank of the
21 Federal Reserve System having total deposits of not less than
22 \$400 million or which are accepted by a commercial bank which
23 is not a member of the Federal Reserve System with deposits of
24 not less than \$400 million and which is licensed by a state
25 government or the Federal Government, and whose senior debt
26 issues are rated in one of the two highest rating categories
27 by a nationally recognized rating service and which are held
28 in custody by a domestic bank which is a member of the Federal
29 Reserve System.

30 (i) ~~Intermediate-term~~ Corporate obligations or
31 corporate master notes of any corporation within the United

1 States, if the long-term obligations of such corporation are
2 rated by at least two nationally recognized rating services in
3 any one of the four ~~three~~ highest classifications. However, if
4 such obligations are rated by on ly one nationally recognized
5 rating service, then the obligations shall be rated in any one
6 of the two highest classifications.

7 (j) Obligations of the Student Loan Marketing
8 Association.

9 (k) Obligations of the Resolution Funding Corporation.

10 (l) Asset-backed or mortgage-backed securities of the
11 highest credit quality.

12 (m) Any obligations not previously listed which are
13 guaranteed as to principal and interest by the full faith and
14 credit of the United States Government or are obligations of
15 United States agencies or instrumentalities which are rated in
16 the highest category by a nationally recognized rating
17 service.

18 (n) Commingled no-load investment funds or no-load
19 mutual funds in which all securities held by the funds are
20 authorized in this subsection.

21 (o) Money market mutual funds as defined and regulated
22 by the Securities and Exchange Commission.

23 (p) Obligations of state and local governments rated
24 in any of the four ~~three~~ highest classifications by at least
25 two ~~one or more~~ nationally recognized rating services ~~if their~~
26 ~~purchase is for the purpose of meeting federal investment~~
27 ~~requirements for funds accumulated from bonds or other~~
28 ~~obligations.~~ However, if such obligations are rated by only
29 one nationally recognized rating service, then the obligations
30 shall be rated in any one of the two highest classifications.

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1 (q) Derivatives of investment instruments authorized
2 in paragraphs (a) through (m).

3 (r) Covered put and call options on investment
4 instruments authorized in this subsection for the purpose of
5 hedging transactions by investment managers to mitigate risk
6 or to facilitate portfolio management.

7 (s) Negotiable certificates of deposit issued by
8 financial institutions whose long-term debt is rated in one of
9 the three highest categories by at least two nationally
10 recognized rating services, the investment in which shall not
11 be prohibited by any provision of chapter 280.

12 (t) Foreign bonds denominated in United States dollars
13 and registered with the Securities and Exchange Commission for
14 sale in the United States, if the long-term obligations of
15 such issuers are rated by at least two nationally recognized
16 rating services in any one of the four highest
17 classifications. However, if such obligations are rated by
18 only one nationally recognized rating service, the obligations
19 shall be rated in any one of the two highest classifications.

20 (u) Convertible debt obligations of any corporation
21 domiciled within the United States, if the convertible debt
22 issue is rated by at least two nationally recognized rating
23 services in any one of the four highest classifications.
24 However, if such obligations are rated by only one nationally
25 recognized rating service, then the obligations shall be rated
26 in any one of the two highest classifications.

27 (v)~~(t)~~ Securities not otherwise described in this
28 subsection. However, not more than 3 percent of the funds
29 under the control of the Treasurer shall be invested in
30 securities described in this paragraph.

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1 These investments may be in varying maturities and may be in
2 book-entry form. Investments made pursuant to this subsection
3 may be under repurchase agreement. The Treasurer is authorized
4 to hire registered investment advisers and other consultants
5 to assist in investment management and to pay fees directly
6 from investment earnings. Investment securities, proprietary
7 investment services related to contracts, performance
8 evaluation services, investment-related equipment or software
9 used directly to assist investment trading or investment
10 accounting operations including bond calculators, telerates,
11 Bloombergs, special program calculators, intercom systems, and
12 software used in accounting, communications, and trading, and
13 advisory and consulting contracts made under this section are
14 exempt from the provisions of chapter 287.

15 Section 2. This act shall take effect July 1, 1997.

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18 HOUSE SUMMARY

19 Revises provisions which specify requirements for deposit
20 and investment of state money. Authorizes, rather than
21 requires, that funds not needed to meet the disbursement
22 needs of the state be placed in qualified public
23 depositories. Provides for investment of any remaining
24 funds in the investments specified in said provisions.
25 Revises the standards that certain corporate obligations
26 and state and local government obligations must meet to
27 be qualified for such investment. Authorizes investment
28 in certain foreign bonds and certain convertible debt
29 obligations of corporations domiciled in the United
30 States.
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