

1 AN ACT relating to the Treasury.

2 ***Be it enacted by the General Assembly of the Commonwealth of Kentucky:***

3 ➔Section 1. KRS 41.010 is amended to read as follows:

- 4 (1) As used in KRS ~~41.060,~~ 41.070, 41.110, 41.120, 41.130, ~~[41.150, 41.160,]~~ **41.280,**
 5 41.290, **or** 41.300,~~[or 41.990]~~, unless the context requires otherwise, the terms
 6 "appropriation," "budget unit," "disbursements," "expenditures," "expenses," and
 7 "receipts" have the meaning given them by KRS 43.010 and 48.010.
- 8 (2) As used in this chapter:
- 9 (a) **"Administrative body" includes an authority, board, bureau, interstate**
 10 **compact, commission, committee, conference, council, or any other form of**
 11 **organization in the executive branch of state government, but does not**
 12 **include office, department, program cabinet, or division;**
- 13 (b) **"Agency" means any state administrative body, department, or division;**
- 14 (c) **"Assistant" means Assistant Treasurer;**
- 15 (d) "Bank" **includes**~~[and "depository" include]~~ any **bank or**~~[qualified financial~~
 16 ~~intermediary and]~~ savings and loan **association**~~[associations]~~ **located within**
 17 **the Commonwealth of Kentucky** chartered by the State of Kentucky or the
 18 United States government designated to take custody of state funds on deposit,
 19 for periods greater than overnight, with the intent to honor presentments
 20 against those deposits;
- 21 (e) **"Check," unless the context requires otherwise, shall mean either a paper**
 22 **check or a paperless entry on an electronic data processing medium that**
 23 **substitutes for a paper check and of which a permanent record is made for**
 24 **purposes of debiting or crediting an account;**
- 25 (f) **"Collateral" means the listed securities and other obligations in subsection**
 26 **(4) of Section 12 of this Act;**
- 27 ~~[(b) "Warrant" means a printed or electronic authorization from the Finance and~~

1 Administration Cabinet for the Treasurer to issue a check;]

2 ~~(g)~~(e) "Form" or "report" means any written method of transporting data;

3 (h) "Secretary" means the secretary of the Finance and Administration
4 Cabinet;

5 (i) "State depository" means any bank designated to take custody of state
6 funds on deposit pursuant to Section 10 of this Act;

7 (j) "Warrant" means a printed or electronic authorization from the Finance
8 and Administration Cabinet for the Treasurer to issue a check; and

9 ~~(k)~~(d) "Writing" or "written" means letters, words, or numbers, or their
10 equivalent, set down by handwriting, typewriting, printing, photostating,
11 photographing, magnetic impulse, mechanical or electronic recording, or other
12 form of data compilation.

13 ➔Section 2. KRS 41.060 is amended to read as follows:

14 (1) The Treasurer shall appoint an assistant and may remove him or her at pleasure.
15 The assistant shall take the constitutional oath. The assistant may perform any of
16 the duties of the Treasurer, excepting the signing of checks, and shall perform the
17 duties of clerk.

18 (2) If the Treasurer is incapacitated~~[disabled by sickness]~~, or is absent~~[if he absents~~
19 ~~himself]~~ from the seat of government, the assistant shall~~[he shall notify the~~
20 ~~Governor in writing of the facts, and recommend his assistant or some other person~~
21 ~~to]~~ discharge the duties of the office during the incapacity~~[his sickness]~~ or absence
22 of the Treasurer.~~[If the Governor approves the recommendation he shall enter his~~
23 ~~approval on the executive journal, after which the assistant or other person may~~
24 ~~perform all the duties of the Treasurer until he is restored to health or returns to the~~
25 ~~seat of government.]~~

26 (3) The Treasurer and his or her sureties shall be responsible on his or her bond for all
27 the acts and omissions of the assistant.

1 **(4)** The salary of the assistant shall be fixed by the Treasurer, subject to the provisions
2 of KRS **Chapter 18A**~~[12.050, 12.060, 18A.020, 18A.095 to 18A.110, 18A.120 to~~
3 ~~18A.165, 18A.180 and 18A.185].~~

4 ➔Section 3. KRS 41.070 is amended to read as follows:

5 (1) Unless otherwise expressly provided by law, no receipts from any source of state
6 money or money for which the state is responsible shall be held, used, or deposited
7 in any personal or special bank account, temporarily or otherwise, by any agent or
8 employee of any budget unit, to meet expenditures or for any other purpose.

9 **(2)** All receipts of any character of any budget unit, all revenue collected for the state,
10 and all public money and dues to the state shall be deposited in state depositories in
11 the most prompt and cost-efficient manner available. However in the case of state
12 departments or agencies located outside Frankfort, and all state institutions, the
13 Finance and Administration Cabinet may permit temporary deposits to be made to
14 the accounts maintained by the agency, department, or institution in **a state**
15 **depository**~~[a bank which has been designated as a depository for state funds]~~ for a
16 period not to exceed thirty (30) days, and may require that the money be forwarded
17 to the State Treasury at the time and in the manner and form prescribed by the
18 cabinet. Nothing in this section shall be construed as authorizing any representative
19 of any agency, department, or institution to enforce or cash, even for the purpose of
20 a deposit, any check or other instrument of value payable to the Commonwealth or
21 any agency thereof.

22 **(3)**~~(2)~~ Each agency depositing its receipts directly with the State Treasurer shall do
23 so in the manner approved by the State Treasurer as agent in charge of public fund
24 deposits.

25 **(4)**~~(3)~~ The Department of Revenue may deposit receipts to the credit of the State
26 Treasury directly with a **state** depository~~[designated by the Treasurer and]~~ utilized
27 by the Commonwealth for its primary banking services. The State Treasurer, with

1 the approval of the Finance and Administration Cabinet, may authorize other
 2 agencies to deposit receipts directly with a state depository ~~designated by the~~
 3 ~~Treasury~~ to the credit of the State Treasury if the Treasurer prescribes the manner
 4 in which the deposit is to be made, and the forms and reports to be filed with the
 5 Treasury Department. The Finance and Administration Cabinet shall prescribe the
 6 forms and reports to be filed with it when this type of deposit is made.

7 ~~(5)~~~~(4)~~ Each department, agency, or other budget unit which receives funds to be
 8 deposited into the State Treasury shall maintain records to report adequately each
 9 amount received, from whom received, and date received. Agency records shall be
 10 easily reconcilable with the information forwarded to the State Treasurer.

11 ➔Section 4. KRS 41.110 is amended to read as follows:

12 (1) No public money shall be withdrawn from the Treasury for any purpose other than
 13 that for which its withdrawal is proposed *in accordance with the Constitution and*
 14 *statutes of the Commonwealth of Kentucky*, nor unless it has been appropriated by
 15 the General Assembly or is a part of a revolving fund, and has been allotted as
 16 provided in KRS 48.010 to 48.800, and then only on the warrant of the Finance and
 17 Administration Cabinet.

18 (2) The provisions of this section do not apply to withdrawals of funds from *one (1) or*
 19 *more* state *depositories*~~depository banks~~ for immediate redeposit in other state
 20 *depositories*~~depository banks~~ or to funds held in trust for the security of bond
 21 holders.

22 ➔Section 5. KRS 41.120 is amended to read as follows:

23 (1) All claims against the state shall be paid by the Treasurer on the warrants of the
 24 Finance and Administration Cabinet.

25 (2) All warrants issued in accordance with the provisions of this chapter shall, when
 26 signed by the secretary of the Finance and Administration Cabinet or an assistant
 27 designated by him *or her*, constitute full and sufficient authority to the Treasurer for

1 the disbursement of public money in the amount set forth.

2 **(3)** Signatures may be placed on the warrants by means of an approved mechanical
3 device. A signed transmittal which lists warrants may be accepted in lieu of each
4 warrant being signed. Electronic authorization, approved by the secretary of the
5 Finance and Administration Cabinet, may be accepted in lieu of any signatures.

6 ➔Section 6. KRS 41.130 is amended to read as follows:

7 (1) Each warrant of the Finance and Administration Cabinet upon the Treasury shall
8 specify the date, amount, and person to whom payable, and no money shall be
9 disbursed by the Treasurer unless the warrant contains these specifications.

10 (2) No warrant shall be issued unless the money to pay it has been appropriated by law.
11 The Finance and Administration Cabinet may require any claimant to state on the
12 face of his claim the law under which it is payable.

13 **(3) The Finance and Administration Cabinet shall record all warrants in the unified**
14 **and integrated system of accounts.**

15 **(4) The Treasurer shall maintain electronic records in the unified and integrated**
16 **system of accounts that show all checks issued, the name of the payee, date, and**
17 **amount and shall be in a format that is readily reconcilable with the warrants**
18 **issued by the Finance and Administration Cabinet.**

19 ➔Section 7. KRS 41.160 is amended to read as follows:

20 **(1)** No money shall be paid out of the Treasury except by the check of the Treasurer
21 upon a state depository, or through the provisions of KRS 45A.655.

22 **(2)** Payments may be made direct by the Treasurer to the persons entitled to receive
23 them, by mail or otherwise, or through the heads of the budget units which incurred
24 the expenditures.

25 ➔Section 8. KRS 41.167 is amended to read as follows:

26 ~~{(1)}~~The State Treasurer may withdraw funds from or deposit funds in the State
27 Treasury by means of electronic funds transfers. The Finance and Administration Cabinet

1 shall obtain a payee's prior, written consent for the payment of funds due him from the
 2 State Treasury by means of direct deposit rather than by means of a paper check issued to
 3 him. A single authorization may be granted for multiple payments to a payee by means of
 4 direct deposit.

5 ~~[(2) For the purpose of implementing this section and unless the context requires a
 6 different meaning, the term "check" as used in this chapter shall mean either a paper
 7 check or a paperless entry on an electronic data processing medium that substitutes
 8 for a paper check for the purposes of debiting or crediting an account and of which a
 9 permanent record is made.]~~

10 ➔Section 9. KRS 41.210 is amended to read as follows:

11 All public money of the state received into the Treasury shall be deposited, on the day it
 12 is received, in one (1) ***or more*** of the state ***depositories***~~[depository banks].~~

13 ➔Section 10. KRS 41.220 is amended to read as follows:

14 (1) Not less than three (3) solvent banks shall be designated as ***state*** depositories for
 15 state funds. Each bank designated shall have not less than the minimum capital
 16 stock as required ***by the primary state or federal regulator of the bank***~~[in KRS
 17 286.3-070].~~ Banks shall be designated as ***state*** depositories for state funds upon
 18 agreement of the State Treasurer and the secretary of the Finance and
 19 Administration Cabinet. Those ***banks*** designated shall be entered in the executive
 20 journal. If at any time it appears that the capital of any ***state*** depository has become
 21 impaired, the state's deposits shall be withdrawn and ***deposited with*** another ***state***
 22 depository~~[named]~~.

23 (2) The State Treasurer and the secretary of the Finance and Administration Cabinet
 24 shall determine the needs for moving state funds from one (1) designated depository
 25 to another.

26 ***(3) If no banks are designated as state depositories in accordance with this section,***
 27 ***all banks as defined in Section 1 of this Act shall be considered eligible state***

1 depositories.

2 ➔Section 11. KRS 41.230 is amended to read as follows:

3 For services rendered by ~~the~~ state depositories, compensation shall be made in the
4 form~~forms~~ of a predetermined fee or a predetermined compensating balance.~~The~~
5 State depositories shall each pay to the state, in proportion to the deposits received,
6 interest at such rate per annum upon the average daily deposit on hand at the close of
7 business hours as is agreed upon between the Treasurer and the state depositories,
8 consistent with the regulations promulgated by the State Investment Commission
9 pursuant to KRS 42.525. The interest shall be paid to the Treasurer no later than at the
10 end of each six (6) months or upon maturity commencing with the date of the deposit.

11 ➔Section 12. KRS 41.240 is amended to read as follows:

- 12 (1) (a) Before any bank shall be named as a state depository to receive public funds,
13 it shall either pledge or provide to the State Treasurer~~, as~~ collateral~~,~~
14 ~~securities or other obligations~~ having an aggregate current face value or
15 current quoted market value at least equal to the deposits as of the last
16 business day of each quarter in which funds are so deposited or provide to
17 the State Treasurer a surety bond or surety bonds in favor of the State
18 Treasurer in an amount at least equal to the deposits, as of the last business
19 day of each quarter in which funds are deposited; provided, however, that
20 amounts insured by the Federal Deposit Insurance Corporation or the Federal
21 Savings and Loan Insurance Corporation need not be so collateralized. The
22 president or an executive officer~~cashier~~ of each state depository~~bank~~ shall
23 submit to the Treasurer and the State Investment Commission a statement
24 subscribed and sworn to by the president or executive officer~~him~~ showing:
- 25 1. The face value or current quoted market value of the securities or other
26 obligations pledged ~~or provided as of the time the securities or other~~
27 ~~obligations are offered~~ as collateral; and

1 2. The value of surety bonds provided as of the time such surety bonds are
2 provided as collateral.

3 The **aggregate** valuation of all pledged or provided collateral~~[and the face~~
4 ~~amount of all surety bonds provided as collateral]~~ shall be reported to the
5 State Treasurer and State Investment Commission **by the state**
6 **depository**~~[upon receipt of deposit and]~~ within ten (10) days of the close of
7 each quarter after the **date of deposit**~~[quarter beginning December 31]~~. Such
8 value with respect to pledged collateral other than surety bonds shall be as of
9 the end of the quarter or the preceding business day and, as to **surety bonds,**
10 **the** market values, shall be obtained from a reputable bond pricing service.
11 The State Treasurer and Governor may from time to time call for additional
12 collateral to adequately secure the deposits as aggregate face or current market
13 values may require, **if the value of collateral is not compliant with state law**
14 **as of the report date.**

15 (b) No deposit of state~~[collected demand and time]~~ funds shall collectively
16 exceed at any time the **state** depository's sum of capital, reserves, undivided
17 profits and surplus or ten percent (10%) of the total deposits of **the state**~~[any~~
18 ~~particular]~~ depository, whichever is less. **For purposes of this subsection**
19 **only, the value of the state deposit will be determined as of the end of the**
20 **last business day of each quarter that funds are deposited**~~[Deposits will be~~
21 ~~valued at the end of each business day]~~.

22 (2) (a) As an alternative to subsection (1)(a) of this section, a **state**~~[Kentucky]~~
23 depository insured by the Federal Deposit Insurance Corporation **or the**
24 **Federal Savings and Loan Insurance Corporation** may either pledge to the
25 State Treasurer, as collateral, securities or other obligations having an
26 aggregate face value or a current quoted market value or provide to the State
27 Treasurer a surety bond or surety bonds in an amount equal to eighty percent

1 (80%) of the value of the state deposit including demand and time accounts, if
2 the state depository is determined by the State Investment Commission to
3 have very strong credit with little or no credit risk at any maturity level and the
4 likelihood of short-term unexpected problems of significance is minimal or
5 not of a serious or long-term nature. The value of the state deposit will be
6 determined at the end of the business day of deposit and as of the end of
7 business on the last day of each quarter that funds are so deposited.

8 (b) Valuation of all pledged or provided collateral ~~and the face amount of surety~~
9 ~~bonds provided~~ shall be reported to the State Treasurer and the State
10 Investment Commission ~~upon receipt of the state deposit and~~ within ten (10)
11 days of the close of each quarter after the date of deposit ~~quarter beginning~~
12 ~~December 31~~.

13 (c) State depositories designated as qualified for reduced pledging shall be so
14 recorded in the executive journal.

15 (d) The State Investment Commission shall determine eligibility for the reduced
16 pledging option based on totally objective and quantifiable measures of
17 financial intermediary performance. The information for such eligibility shall
18 be obtained from publicly available documents. The State Investment
19 Commission shall promulgate the particular criteria of eligibility by
20 regulations issued pursuant to KRS Chapter 13A.

21 (3) State depositories which do not qualify or do not choose to qualify under subsection
22 (1) or (2) of this section shall not receive state deposits in excess of amounts that
23 are insured by an instrumentality of the United States.

24 (4) Only the following securities and other obligations may be accepted by the State
25 Treasurer as collateral under this section:

26 (a) Bonds, notes, letters of credit, or other obligations of or issued or guaranteed
27 by the United States, or those for which the credit of the United States is

- 1 pledged for the payment of the principal and interest thereof, and any bonds,
 2 notes, debentures, letters of credit, or any other obligations issued or
 3 guaranteed by any federal governmental agency or instrumentality, presently
 4 or in the future established by an Act of Congress, as amended or
 5 supplemented from time to time, including, without limitation, the United
 6 States government corporations listed in KRS 66.480(1)(c);
- 7 (b) Obligations of the Commonwealth of Kentucky including revenue bonds
 8 issued by its statutory authorities, commissions, or agencies;
- 9 (c) Revenue bonds issued by educational institutions of the Commonwealth of
 10 Kentucky as authorized by KRS 162.340 to 162.380;
- 11 (d) Obligations of any city of the Commonwealth of Kentucky, or any county, for
 12 the payment of principal and interest on which the full faith and credit of the
 13 issuing body is pledged;
- 14 (e) School improvement bonds issued in accordance with the authority granted
 15 under KRS 162.080 to 162.100;
- 16 (f) School building revenue bonds issued in accordance with the authority
 17 granted under KRS 162.120 to 162.300, provided that the issuance of such
 18 bonds is approved by the Kentucky Board of Education;~~and~~
- 19 (g) Surety bonds issued by sureties rated in one (1) of the three (3) highest
 20 categories by a nationally recognized rating agency;~~and~~
- 21 ~~(h)(5) [The State Treasurer shall accept]~~ Letters of credit issued by federal
 22 home loan banks~~[as collateral under this section]; and~~
- 23 **(i) Real property owned by the bank.**

24 ➔Section 13. KRS 41.250 is amended to read as follows:

25 The execution of the bond or the pledge of the warrants or bonds required by KRS 41.240
 26 shall not diminish the liability of the Treasurer and his **or her** sureties upon his **or her**
 27 bond, nor impair or delay the right of the state to recover on the Treasurer's bond for any

1 loss or misapplication of the public funds or other delinquency in office, nor impair or
 2 delay the right of the state to recover from any delinquent or defaulting bank, or the
 3 officers or stockholders thereof, in the same manner as other depositors.

4 →Section 14. KRS 41.260 is amended to read as follows:

5 Whenever the Treasurer decides to transfer any deposit of public money from one (1)
 6 state depository~~[-bank]~~ to another, the Treasurer shall notify the Finance and
 7 Administration Cabinet, describing the proposed transfer and the deposit of money to be
 8 transferred. On receipt of the notification the Finance and Administration Cabinet shall
 9 register the proposed transfer and issue its warrant for the amounts specified by the
 10 Treasurer. When the transfers have been completed the Treasurer shall immediately
 11 notify the Finance and Administration Cabinet.

12 →Section 15. KRS 41.280 is amended to read as follows:

13 **(1) The Commonwealth of Kentucky shall maintain a unified and integrated system**
 14 **of accounts which shall permit the Treasurer and the Finance and**
 15 **Administration Cabinet to be able to determine the financial condition of the**
 16 **Commonwealth. As a part of any unified and integrated system of accounts:**

17 **(a)** The Treasurer shall maintain the necessary records to exhibit accurately the
 18 Treasury's cash balance;~~[-]~~

19 **(b)** The Finance and Administration Cabinet shall provide the Treasurer with
 20 accounting data that will accurately describe the Commonwealth's financial
 21 condition, **including access to information necessary to determine the status**
 22 **of each receipt and expenditure account;**~~[-]~~

23 **(c)** The Treasurer shall keep a record of each depository, showing the amount
 24 deposited and the date, and the amount checked out and the date; **and**

25 **(d) The Treasurer shall provide the Finance and Administration Cabinet with**
 26 **information regarding accumulated receipts and the status of warrants.**

27 **(2) The Treasurer shall make a clear, distinct, and intelligible report of all money**

1 received and disbursed during each fiscal year showing the receipts and
2 expenditures of each year on account of every department of the public service,
3 the name of each state depository, and the rate of interest paid by it. The report
4 shall be published annually, and the Treasurer shall submit the report to the
5 Governor, the Chief Justice, and the Legislative Research Commission ninety
6 (90) days after the close of the fiscal year.

7 →Section 16. KRS 41.300 is amended to read as follows:

8 There shall be a special deposit fund consisting of all money received by the state or any
9 department or officer thereof as guarantees for the payment of any costs, charges or
10 damages accruing or liable to accrue to the state or for the performance of any specific
11 act, including all money deposited as bail to secure the liberation of persons accused of
12 public offenses, all money deposited by bidders on contracts to insure their entering into
13 contracts awarded them, and all money deposited to indemnify persons whose property
14 may be damaged or destroyed by the operations of the depositor. All such money shall be
15 paid to the Treasurer, in the manner provided for the deposit of public money, and shall
16 be deposited by the Treasurer as a trust fund in a separate account in a designated state
17 depository~~[-bank]~~. The money so deposited may be returned to the depositor, if he
18 becomes entitled to its return, without specific appropriation, allotment or authorization
19 for expenditure therefor, in the same manner as other claims against the state may be
20 paid, or may, upon default of any depositor and upon certificate to such effect by the
21 administrative officer having charge of the matter, be declared by the Finance and
22 Administration Cabinet to be forfeited in whole or in part and thereupon be transferred to
23 the extent so forfeited to the general fund. The interest on bank deposits of this fund shall
24 accrue to the general fund.

25 →Section 17. KRS 41.320 is amended to read as follows:

26 The Governor may require, at any time, a full statement of the condition of the Treasury
27 from the Finance and Administration Cabinet, Treasurer, and the state depositories. The

1 Treasurer shall, at all times when called upon by the Governor, exhibit his or her books
2 and accounts of the Treasury and all~~[his]~~ cash on hand or on deposit.

3 →Section 18. KRS 41.330 is amended to read as follows:

4 (1) Upon the expiration of the term of office of the Treasurer, or if a vacancy occurs,
5 the outgoing Treasurer shall certify in writing that the accounts and inventory of
6 the Treasury, as recorded in the record-keeping systems of the Commonwealth
7 are true, complete, and accurate as of the close of business on the Treasurer's
8 last day in office. The certification shall include accounts and tangible property
9 held by the Treasury pursuant to KRS Chapters 393 and 393A. A copy of this
10 certification shall be provided to the following:

11 (a) The Auditor of Public Accounts;

12 (b) The Secretary of State; and

13 (c) The secretary of the Finance and Administration Cabinet.

14 ~~[Auditor of Public Accounts shall examine and state the accounts of the Treasurer,~~
15 ~~count the money in the Treasury, and take an inventory of the books, supplies,~~
16 ~~and equipment of the office.]~~

17 (2) The money, books, supplies, and equipment shall be delivered to the newly ~~[~~
18 ~~]~~lected Treasurer or the person who fills the vacancy, and the newly elected
19 Treasurer, or the person who fills the vacancy~~[he]~~ shall give a receipt for them
20 which shall be filed with the Secretary of State.~~[The former Treasurer or his~~
21 ~~personal representative or surety may attend the Auditor while engaged in making~~
22 ~~the examination. The Auditor shall return the statement of accounts, with his report,~~
23 ~~to the Secretary of State. The report shall be prima facie evidence for and against all~~
24 ~~concerned and interested.]~~

25 (3) In the event that a vacancy occurs due to the death or incapacitation of the
26 Treasurer, the certification set forth in subsection (1) of this section shall be
27 completed by the assistant in accordance with Section 2 of this Act.

1 **(4) Nothing in this section shall be construed as limiting the right of the Auditor to**
 2 **review the accounts and inventory of the Treasurer at other times as the Auditor**
 3 **may deem necessary or appropriate, or as required by KRS 43.060.**

4 ➔Section 19. KRS 41.350 is amended to read as follows:

5 (1) Canceled checks **and records of all electronic transactions** of the State Treasurer
 6 **debiting**~~[upon]~~ state **depositories**~~[depository banks]~~ shall be~~[microfilmed and the~~
 7 ~~original check]~~ preserved by the State Treasurer for a period of **ten (10) years**~~[one~~
 8 ~~(1) year. At the expiration of this period, unless required for the purpose of an~~
 9 ~~action then pending, the checks shall be sold as waste paper or destroyed. Microfilm~~
 10 ~~reproductions of Treasury Department checks shall be preserved for a period of five~~
 11 ~~(5) years. Microfilm reproductions of printed warrants shall be preserved for a~~
 12 ~~period of five (5) years].~~

13 (2) **For purposes of this subsection, preservation of records may be in an electronic**
 14 **format, including the records contained within the state's unified and integrated**
 15 **system of accounts**~~[Microfilm reproductions of electronic fund transfer entries~~
 16 ~~debiting state accounts transmitted to the State Treasurer by state depositories shall~~
 17 ~~be preserved by the State Treasurer for a period of five (5) years. At the expiration~~
 18 ~~of this period, unless required for the purpose of an action then pending, they may~~
 19 ~~be destroyed].~~

20 ➔Section 20. KRS 41.375 is amended to read as follows:

21 (1) A duplicate check shall be issued by the Treasurer upon:
 22 **(a)** Receipt of a notarized affidavit, **which may be transmitted to the Treasury in**
 23 **an electronic format**, signed by the payee and stating that the original check
 24 has been lost or stolen;~~[,]~~ and
 25 **(b)** **A review of the records of the Treasury, including the unified and**
 26 **integrated system of accounts to determine that**~~[if]~~ the original check has not
 27 been presented for payment.

1 (2) The payee receiving a duplicate check shall make good any loss the Commonwealth
2 or the Treasurer may sustain on account of the issuance of the duplicate or the
3 presentation and payment of the original, if the loss has been caused by actions of
4 the payee. The Treasurer shall not be liable for any loss sustained by the issuance of
5 the duplicate check.

6 ➔Section 21. KRS 44.001 is amended to read as follows:

7 As used in this chapter:

8 (1) "Local government" means any city, county, urban-county government,
9 consolidated local government, charter county government, or unified local
10 government of the Commonwealth;~~and~~

11 (2) **"Warrant" shall have the same meaning as in Section 1 of this Act; and**

12 **(3)** "Writing" or "written" means letters, words, or numbers, or their equivalent, set
13 down by handwriting, typewriting, printing, photostating, photographing, magnetic
14 impulse, mechanical or electronic recording, or other form of data compilation.

15 ➔Section 22. KRS 66.480 is amended to read as follows:

16 (1) The governing body of a city, county, urban-county, charter county, school district
17 (provided that its general procedure for action is approved by the Kentucky Board
18 of Education), or other local governmental unit or political subdivision, may invest
19 and reinvest money subject to its control and jurisdiction in:

20 (a) Obligations of the United States and of its agencies and instrumentalities,
21 including obligations subject to repurchase agreements, if delivery of these
22 obligations subject to repurchase agreements is taken either directly or through
23 an authorized custodian. These investments may be accomplished through
24 repurchase agreements reached with sources including but not limited to
25 national or state banks chartered in Kentucky;

26 (b) Obligations and contracts for future delivery or purchase of obligations backed
27 by the full faith and credit of the United States or a United States government

1 agency, including but not limited to:

- 2 1. United States Treasury;
- 3 2. Export-Import Bank of the United States;
- 4 3. Farmers Home Administration;
- 5 4. Government National Mortgage Corporation; and
- 6 5. Merchant Marine bonds;

7 (c) Obligations of any corporation of the United States government, including but
8 not limited to:

- 9 1. Federal Home Loan Mortgage Corporation;
- 10 2. Federal Farm Credit Banks;
- 11 3. Bank for Cooperatives;
- 12 4. Federal Intermediate Credit Banks;
- 13 5. Federal Land Banks;
- 14 6. Federal Home Loan Banks;
- 15 7. Federal National Mortgage Association; and
- 16 8. Tennessee Valley Authority;

17 (d) Certificates of deposit ~~issued by~~ or other interest-bearing accounts ***issued***
18 ***through a***~~of any~~ bank or savings and loan institution having a physical
19 presence in Kentucky which are insured by the Federal Deposit Insurance
20 Corporation or similar entity or which are collateralized, to the extent
21 uninsured, by any obligations, including surety bonds, permitted by KRS
22 41.240(4);

23 (e) Uncollateralized certificates of deposit issued by any bank or savings and loan
24 institution having a physical presence in Kentucky rated in one (1) of the three
25 (3) highest categories by a competent rating agency;

26 (f) Bankers' acceptances for banks rated in one (1) of the three (3) highest
27 categories by a competent rating agency;

- 1 (g) Commercial paper rated in the highest category by a competent rating agency;
- 2 (h) Bonds or certificates of indebtedness of this state and of its agencies and
3 instrumentalities;
- 4 (i) Securities issued by a state or local government, or any instrumentality of
5 agency thereof, in the United States, and rated in one (1) of the three (3)
6 highest categories by a competent rating agency;
- 7 (j) Shares of mutual funds and exchange traded funds, each of which shall have
8 the following characteristics:
- 9 1. The mutual fund shall be an open-end diversified investment company
10 registered under the Federal Investment Company Act of 1940, as
11 amended;
- 12 2. The management company of the investment company shall have been
13 in operation for at least five (5) years; and
- 14 3. All of the securities in the mutual fund shall be eligible investments
15 pursuant to this section;
- 16 (k) Individual equity securities if the funds being invested are managed by a
17 professional investment manager regulated by a federal regulatory agency.
18 The individual equity securities shall be included within the Standard and
19 Poor's 500 Index, and a single sector shall not exceed twenty-five percent
20 (25%) of the equity allocation; and
- 21 (l) Individual high-quality corporate bonds that are managed by a professional
22 investment manager that:
- 23 1. Are issued, assumed, or guaranteed by a solvent institution created and
24 existing under the laws of the United States;
- 25 2. Have a standard maturity of no more than ten (10) years; and
- 26 3. Are rated in the three (3) highest rating categories by at least two (2)
27 competent credit rating agencies.

- 1 (2) The investment authority provided by subsection (1) of this section shall be subject
2 to the following limitations:
- 3 (a) The amount of money invested at any time by a local government or political
4 subdivision in any one (1) of the categories of investments authorized by
5 subsection (1)(e), (f), (g), (k), and (l) of this section shall not exceed twenty
6 percent (20%) of the total amount of money invested by the local government;
- 7 (b) The amount of money invested at any one (1) time by a local government or a
8 political subdivision in the categories of investments authorized in subsection
9 (1)(j), (k), and (l) of this section shall not, aggregately, exceed forty percent
10 (40%) of the total money invested;
- 11 (c) No local government or political subdivision shall purchase any investment
12 authorized by subsection (1) of this section on a margin basis or through the
13 use of any similar leveraging technique; and
- 14 (d) At the time the investment is made, no more than five percent (5%) of the
15 total amount of money invested by the local governments or political
16 subdivisions shall be invested in any one (1) issuer unless:
- 17 1. The issuer is the United States government or an agency or
18 instrumentality of the United States government, or an entity which has
19 its obligations guaranteed by either the United States government or an
20 entity, agency, or instrumentality of the United States government;
- 21 2. The money is invested in a certificate of deposit or other interest-bearing
22 accounts as authorized by subsection (1)(d) and (e) of this section;
- 23 3. The money is invested in bonds or certificates of indebtedness of this
24 state and its agencies and instrumentalities as authorized in subsection
25 (1)(h) of this section; or
- 26 4. The money is invested in securities issued by a state or local
27 government, or any instrumentality or agency thereof, in the United

1 States as authorized in subsection (1)(i) of this section.

- 2 (3) The governing body of every local government or political subdivision that invests
3 or reinvests money subject to its control or jurisdiction according to the provisions
4 of subsection (1) of this section shall by January 1, 1995, adopt a written investment
5 policy that shall govern the investment of funds by the local government or political
6 subdivision. The written investment policy shall include but shall not be limited to
7 the following:
- 8 (a) A designation of the officer or officers of the local government or political
9 subdivision who are authorized to invest and oversee the investment of funds;
 - 10 (b) A list of the permitted types of investments;
 - 11 (c) Procedures designed to secure the local government's or political subdivision's
12 financial interest in the investments;
 - 13 (d) Standards for written agreements pursuant to which investments are to be
14 made;
 - 15 (e) Procedures for monitoring, control, deposit, and retention of investments and
16 collateral;
 - 17 (f) Standards for the diversification of investments, including diversification with
18 respect to the types of investments and firms with whom the local government
19 or political subdivision transacts business;
 - 20 (g) Standards for the qualification of investment agents which transact business
21 with the local government, such as criteria covering creditworthiness,
22 experience, capitalization, size, and any other factors that make a firm capable
23 and qualified to transact business with the local government or political
24 subdivision; and
 - 25 (h) Requirements for periodic reporting to the governing body on the status of
26 invested funds.
- 27 (4) Sheriffs, county clerks, and jailers, who for the purposes of this section shall be

1 known as county officials, may invest and reinvest money subject to their control
2 and jurisdiction, including tax dollars subject to the provisions of KRS Chapter 134
3 and 160.510, as permitted by this section.

4 (5) The provisions of this section are not intended to impair the power of a county
5 official, city, county, urban-county, charter county, school district, or other local
6 governmental unit or political subdivision to hold funds in deposit accounts with
7 banking institutions as otherwise authorized by law.

8 (6) The governing body or county official may delegate the investment authority
9 provided by this section to the treasurer or other financial officer or officers charged
10 with custody of the funds of the local government, and the officer or officers shall
11 thereafter assume full responsibility for all investment transactions until the
12 delegation of authority terminates or is revoked.

13 (7) All county officials shall report the earnings of any investments at the time of their
14 annual reports and settlements with the fiscal courts for excess income of their
15 offices.

16 (8) The state local debt officer is authorized and directed to assist county officials and
17 local governments, except school districts, in investing funds that are temporarily in
18 excess of operating needs by:

19 (a) Explaining investment opportunities to county officials and local governments
20 through publication and other appropriate means; and

21 (b) Providing technical assistance in investment of idle funds to county officials
22 and local governments that request that assistance.

23 (9) (a) The state local debt officer may create an investment pool for local
24 governments, except school districts, and county officials; and counties and
25 county officials and cities may associate to create an investment pool. If
26 counties and county officials and cities create a pool, each group may select a
27 manager to administer their pool and invest the assets. Each county and each

1 county official and each city may invest in a pool created pursuant to this
2 subsection. Investments shall be limited to those investment instruments
3 permitted by this section. The funds of each local government and county
4 official shall be properly accounted for, and earnings and charges shall be
5 assigned to each participant in a uniform manner according to the amount
6 invested. Charges to any local government or county official shall not exceed
7 one percent (1%) annually on the principal amount invested, and charges on
8 investments of less than a year's duration shall be prorated. Any investment
9 pool created pursuant to this subsection shall be audited each year by an
10 independent certified public accountant, or by the Auditor of Public Accounts.
11 A copy of the audit report shall be provided to each local government or
12 county official participating in the pool. In the case of an audit by an
13 independent certified public accountant, a copy of the audit report shall be
14 provided to the Auditor of Public Accounts, and to the state local debt officer.
15 The Auditor of Public Accounts may review the report of the independent
16 certified public accountant. After preliminary review, should discrepancies be
17 found, the Auditor of Public Accounts may make his or her own investigative
18 report or audit to verify the findings of the independent certified public
19 accountant's report.

20 (b) If the state local debt officer creates an investment pool, he or she shall
21 establish an account in the Treasury for the pool. He or she shall also establish
22 a separate trust and agency account for the purpose of covering management
23 costs, and he or she shall deposit management charges in this account. The
24 state local debt officer may promulgate administrative regulations, pursuant to
25 KRS Chapter 13A, governing the operation of the investment pool, including
26 but not limited to provisions on minimum allowable investments and
27 investment periods, and method and timing of investments, withdrawals,

1 payment of earnings, and assignment of charges.

2 (c) Before investing in an investment pool created pursuant to this subsection, a
3 local government or county official shall allow any savings and loan
4 association or bank in the county, as described in subsection (1)(d) of this
5 section, to bid for the deposits, but the local government or county official
6 shall not be required to seek bids more often than once in each six (6) month
7 period.

8 (10) (a) With the approval of the Kentucky Board of Education, local boards of
9 education, or any of them that desire to do so, may associate to create an
10 investment pool. Each local school board which associates itself with other
11 local school boards for the purpose of creating the investment pool may invest
12 its funds in the pool so created and so managed. Investments shall be limited
13 to those investment instruments permitted by this section. The funds of each
14 local school board shall be properly accounted for, and earnings and charges
15 shall be assigned to each participant in a uniform manner according to the
16 amount invested. Charges to any local school board shall not exceed one
17 percent (1%) annually on the principal amount invested, and charges on
18 investments of less than a year's duration shall be prorated. Any investment
19 pool created pursuant to this subsection shall be audited each year by an
20 independent certified public accountant, or by the Auditor of Public Accounts.
21 A copy of the audit report shall be provided to each local school board
22 participating in the pool. In the case of an audit by an independent certified
23 public accountant, a copy of the audit report shall be provided to the Auditor
24 of Public Accounts, and to the Kentucky Board of Education. The Auditor of
25 Public Accounts may review the report of the independent certified public
26 accountant. After preliminary review, should discrepancies be found, the
27 Auditor of Public Accounts may make his or her own investigative report or

1 audit to verify the findings of the independent certified public accountant's
2 report.

3 (b) The Kentucky Board of Education may promulgate administrative regulations
4 governing the operation of the investment pool including but not limited to
5 provisions on minimum allowable investments and investment periods, and
6 methods and timing of investments, withdrawals, payment of earnings, and
7 assignment of charges.

8 (11) As used in this section, "competent rating agency" means a rating agency certified
9 or approved by a national entity that engages in such a process. The certification or
10 approval process shall include but not necessarily be limited to the following
11 elements the subject rating agency must possess:

12 (a) A requirement for the rating agency to register and provide an annual updated
13 filing;

14 (b) Record retention requirements;

15 (c) Financial reporting requirements;

16 (d) Policies for the prevention of misuse of material nonpublic information;

17 (e) Policies addressing management of conflicts of interest, including prohibited
18 conflicts;

19 (f) Prohibited acts practices;

20 (g) Disclosure requirements;

21 (h) Any policies, practices, and internal controls required by the national entity;
22 and

23 (i) Standards of training, experience, and competence for credit analysts.

24 ➔Section 23. KRS 41.990 is amended to read as follows:

25 (1) If the president or cashier of any state depository willfully violates any of the
26 provisions of KRS 41.230, 41.240, 41.270 or 41.320, he shall be fined not less than
27 one thousand dollars (\$1,000).

1 (2) Any officer, agent or employee of any budget unit who willfully fails or refuses to
2 comply with, or expends any money in violation of, any of the provisions of KRS
3 41.070, 41.110 to ~~41.160~~~~[41.170]~~, 41.210, 41.220, 41.260, 41.270, 41.290 or
4 41.300 shall be subject to indictment in the Franklin Circuit Court, and upon
5 conviction shall be fined not less than fifty (50) nor more than five hundred dollars
6 (\$500) for each offense.

7 ➔Section 24. The following KRS sections are repealed:

- 8 41.050 Suspension of Treasurer.
- 9 41.140 Warrants to be submitted to Treasurer.
- 10 41.150 Treasurer to accept warrants -- Payment -- Register of checks.
- 11 41.170 Record of warrants in system of accounts -- Notice of issuance of checks.
- 12 41.340 Annual report by Treasurer.