

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 41.070, 41.110, 41.120, 41.130, ~~41.150, 41.160,~~ **41.280**, 41.290,  
5 **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, program cabinet, office,**  
14 **department, or division;**
- 15 (c) **"Assistant" means Assistant Treasurer;**
- 16 (d) "Bank" **includes**~~and "depository" include~~ any **bank or**~~qualified financial~~  
17 ~~intermediary and~~ savings and loan **association**~~associations~~ **located within**  
18 **the Commonwealth of Kentucky** chartered by the State of Kentucky or the  
19 United States government designated to take custody of state funds on deposit,  
20 for periods greater than overnight, with the intent to honor presentments  
21 against those deposits;
- 22 (e) **"Check," unless the context requires otherwise, means either a paper check**  
23 **or a paperless entry on an electronic data processing medium that**  
24 **substitutes for a paper check and of which a permanent record is made for**  
25 **purposes of debiting or crediting an account;**
- 26 (f) **"Collateral" means the listed securities and other obligations in subsection**  
27 **(4) of Section 12 of this Act;**

1 ~~[(b) "Warrant" means a printed or electronic authorization from the Finance and~~  
 2 ~~Administration Cabinet for the Treasurer to issue a check;]~~

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

4 ~~**(h) "Secretary" means the secretary of the Finance and Administration**~~  
 5 ~~**Cabinet;**~~

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

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

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

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

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

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

27 **(3)** The Treasurer and his **or her** sureties shall be responsible on his **or her** bond for all

1 the acts and omissions of the assistant.

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

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

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

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

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

26 ~~**(4)**~~~~(3)~~ The Department of Revenue may deposit receipts to the credit of the State  
27 Treasury directly with a **state** depository~~[designated by the Treasurer and]~~ utilized

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

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

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

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

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

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

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

26 (2) All warrants issued in accordance with the provisions of this chapter shall, when  
27 signed by the secretary of the Finance and Administration Cabinet or an assistant

1 designated by him *or her*, constitute full and sufficient authority to the Treasurer for  
 2 the disbursement of public money in the amount set forth.

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

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

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

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

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

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

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

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

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

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

27 ~~{(1)}~~The State Treasurer may withdraw funds from or deposit funds in the State

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

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

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

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

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

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

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

27 **(3) If no banks are designated as state depositories in accordance with this section,**

1        *all banks as defined in Section 1 of this Act shall be considered eligible state*  
2        *depositories.*

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

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

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

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

1           ~~obligations are offered~~ as collateral; and

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

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

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

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



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

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

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

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

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

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

27          (a) Bonds, notes, letters of credit, or other obligations of or issued or guaranteed

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

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

26 The execution of the bond or the pledge of the warrants or bonds required by KRS 41.240  
 27 shall not diminish the liability of the Treasurer and his **or her** sureties upon his **or her**

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

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

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

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

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

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

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

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

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

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

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

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

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

27 The Governor may require, at any time, a full statement of the condition of the Treasury

1 from the Finance and Administration Cabinet, Treasurer, and the state depositories. The  
 2 Treasurer shall, at all times when called upon by the Governor, exhibit his or her books  
 3 and accounts of the Treasury and all~~[his]~~ cash on hand or on deposit.

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

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

12 (a) The Auditor of Public Accounts;

13 (b) The Secretary of State; and

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

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

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

26 (3) In the event that a vacancy occurs due to the death or incapacitation of the  
 27 Treasurer, the certification set forth in subsection (1) of this section shall be

1 completed by the assistant in accordance with Section 2 of this Act.

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

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

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

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

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

22 (1) A duplicate check shall be issued by the Treasurer upon:

23 (a) Receipt of a notarized affidavit, which may be transmitted to the Treasury in  
 24 an electronic format, signed by the payee and stating that the original check  
 25 has been lost or stolen;~~[,]~~ and

26 (b) A review of the records of the Treasury, including the unified and  
 27 integrated system of accounts to determine that~~[if]~~ the original check has not

1           been presented for payment.

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

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

8       As used in this chapter:

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

12       (2) **"Warrant" has the same meaning as in Section 1 of this Act; and**

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

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

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

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

27       (b) Obligations and contracts for future delivery or purchase of obligations backed

1 by the full faith and credit of the United States or a United States government  
2 agency, including but not limited to:

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

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

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

18 (d) Certificates of deposit ~~issued by~~ or other interest-bearing accounts ***issued***  
19 ***through a*** ~~of any~~ bank or savings and loan institution having a physical  
20 presence in Kentucky which are insured by the Federal Deposit Insurance  
21 Corporation or similar entity or which are collateralized, to the extent  
22 uninsured, by any obligations, including surety bonds, permitted by KRS  
23 41.240(4);

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

27 (f) Bankers' acceptances for banks rated in one (1) of the three (3) highest



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

1                   competent credit rating agencies.

2 (2) The investment authority provided by subsection (1) of this section shall be subject  
3 to the following limitations:

4 (a) The amount of money invested at any time by a local government or political  
5 subdivision in any one (1) of the categories of investments authorized by  
6 subsection (1)(e), (f), (g), (k), and (l) of this section shall not exceed twenty  
7 percent (20%) of the total amount of money invested by the local government;

8 (b) The amount of money invested at any one (1) time by a local government or a  
9 political subdivision in the categories of investments authorized in subsection  
10 (1)(j), (k), and (l) of this section shall not, aggregately, exceed forty percent  
11 (40%) of the total money invested;

12 (c) No local government or political subdivision shall purchase any investment  
13 authorized by subsection (1) of this section on a margin basis or through the  
14 use of any similar leveraging technique; and

15 (d) At the time the investment is made, no more than five percent (5%) of the  
16 total amount of money invested by the local governments or political  
17 subdivisions shall be invested in any one (1) issuer unless:

18 1. The issuer is the United States government or an agency or  
19 instrumentality of the United States government, or an entity which has  
20 its obligations guaranteed by either the United States government or an  
21 entity, agency, or instrumentality of the United States government;

22 2. The money is invested in a certificate of deposit or other interest-bearing  
23 accounts as authorized by subsection (1)(d) and (e) of this section;

24 3. The money is invested in bonds or certificates of indebtedness of this  
25 state and its agencies and instrumentalities as authorized in subsection  
26 (1)(h) of this section; or

27 4. The money is invested in securities issued by a state or local

1 government, or any instrumentality or agency thereof, in the United  
2 States as authorized in subsection (1)(i) of this section.

3 (3) The governing body of every local government or political subdivision that invests  
4 or reinvests money subject to its control or jurisdiction according to the provisions  
5 of subsection (1) of this section shall by January 1, 1995, adopt a written investment  
6 policy that shall govern the investment of funds by the local government or political  
7 subdivision. The written investment policy shall include but shall not be limited to  
8 the following:

9 (a) A designation of the officer or officers of the local government or political  
10 subdivision who are authorized to invest and oversee the investment of funds;

11 (b) A list of the permitted types of investments;

12 (c) Procedures designed to secure the local government's or political subdivision's  
13 financial interest in the investments;

14 (d) Standards for written agreements pursuant to which investments are to be  
15 made;

16 (e) Procedures for monitoring, control, deposit, and retention of investments and  
17 collateral;

18 (f) Standards for the diversification of investments, including diversification with  
19 respect to the types of investments and firms with whom the local government  
20 or political subdivision transacts business;

21 (g) Standards for the qualification of investment agents which transact business  
22 with the local government, such as criteria covering creditworthiness,  
23 experience, capitalization, size, and any other factors that make a firm capable  
24 and qualified to transact business with the local government or political  
25 subdivision; and

26 (h) Requirements for periodic reporting to the governing body on the status of  
27 invested funds.

- 1 (4) Sheriffs, county clerks, and jailers, who for the purposes of this section shall be  
2 known as county officials, may invest and reinvest money subject to their control  
3 and jurisdiction, including tax dollars subject to the provisions of KRS Chapter 134  
4 and 160.510, as permitted by this section.
- 5 (5) The provisions of this section are not intended to impair the power of a county  
6 official, city, county, urban-county, charter county, school district, or other local  
7 governmental unit or political subdivision to hold funds in deposit accounts with  
8 banking institutions as otherwise authorized by law.
- 9 (6) The governing body or county official may delegate the investment authority  
10 provided by this section to the treasurer or other financial officer or officers charged  
11 with custody of the funds of the local government, and the officer or officers shall  
12 thereafter assume full responsibility for all investment transactions until the  
13 delegation of authority terminates or is revoked.
- 14 (7) All county officials shall report the earnings of any investments at the time of their  
15 annual reports and settlements with the fiscal courts for excess income of their  
16 offices.
- 17 (8) The state local debt officer is authorized and directed to assist county officials and  
18 local governments, except school districts, in investing funds that are temporarily in  
19 excess of operating needs by:
- 20 (a) Explaining investment opportunities to county officials and local governments  
21 through publication and other appropriate means; and
- 22 (b) Providing technical assistance in investment of idle funds to county officials  
23 and local governments that request that assistance.
- 24 (9) (a) The state local debt officer may create an investment pool for local  
25 governments, except school districts, and county officials; and counties and  
26 county officials and cities may associate to create an investment pool. If  
27 counties and county officials and cities create a pool, each group may select a

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

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

1 investment periods, and method and timing of investments, withdrawals,  
2 payment of earnings, and assignment of charges.

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

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

1 Auditor of Public Accounts may make his or her own investigative report or  
2 audit to verify the findings of the independent certified public accountant's  
3 report.

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

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

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

15 (b) Record retention requirements;

16 (c) Financial reporting requirements;

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

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

20 (f) Prohibited acts practices;

21 (g) Disclosure requirements;

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

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

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

26 (1) If the president or cashier of any state depository willfully violates any of the  
27 provisions of KRS 41.230, 41.240, 41.270 or 41.320, he shall be fined not less than

1           one thousand dollars (\$1,000).

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

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

- 9       41.050 Suspension of Treasurer.
- 10      41.140 Warrants to be submitted to Treasurer.
- 11      41.150 Treasurer to accept warrants -- Payment -- Register of checks.
- 12      41.170 Record of warrants in system of accounts -- Notice of issuance of checks.
- 13      41.340 Annual report by Treasurer.