

STATE OF OKLAHOMA

1st Session of the 59th Legislature (2023)

COMMITTEE SUBSTITUTE  
FOR

SENATE BILL NO. 1101

By: Treat and Montgomery of the  
Senate

COMMITTEE SUBSTITUTE

An Act relating to state fiscal affairs; creating the Legacy Investment Board; designating membership of the Board; requiring the Governor to make appointments to the Board; requiring advice and consent for appointments; providing qualifications of members; designating period of terms; requiring selection of chair; making members subject to certain acts; authorizing reimbursement; prohibiting vacancies from impairing a quorum or the exercise of duties; authorizing the Board to make certain hires and enter certain contracts; providing guidelines for investments; creating the Oklahoma Legacy Fund; providing sources of funds; requiring the State Treasurer to appoint investment managers; establishing investment guidelines; authorizing realization of losses under certain circumstance; requiring income and returns to accrue to the balance of the fund; providing for appropriations of funds for certain purpose; authorizing Board to make certain expenditures from the fund; requiring the Board to submit budget; requiring approval by the Governor and Legislature; amending 62 O.S. 2021, Section 34.36, which relates to the Oklahoma State Finance Act; requiring the Legacy Investment Board to provide itemized request; amending 62 O.S. 2021, Section 89.2, which relates to investments of public funds; providing exception for investments of the Oklahoma Legacy Fund; updating statutory language; updating statutory reference; providing for codification; providing an effective date; and declaring an emergency.

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2 BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

3 SECTION 1. NEW LAW A new section of law to be codified  
4 in the Oklahoma Statutes as Section 34.601 of Title 62, unless there  
5 is created a duplication in numbering, reads as follows:

6 A. There is hereby created the Legacy Investment Board. The  
7 Board shall consist of ten (10) members who shall be appointed as  
8 follows:

9 1. The State Auditor and Inspector, or designee;

10 2. Two members shall be appointed by the President Pro Tempore  
11 of the Senate;

12 3. Two members shall be appointed by the Speaker of the House  
13 of Representatives; and

14 4. Five members shall be appointed by the Governor with the  
15 advice and consent of the Senate.

16 B. Members of the Board shall be selected based upon  
17 outstanding knowledge and leadership and shall possess the following  
18 qualifications:

19 1. A demonstrated professional experience in investment or  
20 funds management, public funds management, public or private pension  
21 fund management, or retirement system management;

22 2. A demonstrated experience in the banking profession and a  
23 demonstrated professional experience in investment or funds  
24 management;

1        3. A license to practice law in this state and a demonstrated  
2 professional experience in commercial matters; or

3        4. A license by the Oklahoma Accountancy Board to practice in  
4 this state as a public accountant or a certified public accountant.

5        Members of the Board shall serve for a term of office of five  
6 (5) years. Annually, the members of the Board shall select a chair  
7 to preside at their meetings. The meetings of the members shall be  
8 subject to the Oklahoma Open Meeting Act, Section 301 et seq. of  
9 Title 25 of the Oklahoma Statutes, and the Oklahoma Open Records  
10 Act, Section 24A.1 et seq. of Title 51 of the Oklahoma Statutes.

11 Each appointive member may receive reimbursement for expenses  
12 pursuant to the provisions of the State Travel Reimbursement Act,  
13 Section 500.1 et seq. of Title 74 of the Oklahoma Statutes. No  
14 vacancy in the membership of the Board shall impair the right of a  
15 quorum to exercise all rights and perform all the duties of the  
16 Board.

17        C. The Board may hire or enter a contract for services with  
18 qualified investment managers or consultants to provide for the  
19 investment of the monies of the Oklahoma Legacy Fund created  
20 pursuant to subsection D of this section. The funds may be invested  
21 in the manner in which a prudent person would invest the funds. The  
22 Board shall place primary emphasis on high yields with a long-term  
23 investment horizon regarding investments of the Oklahoma Legacy  
24 Fund. The risk of large losses shall be minimized by diversifying

1 the investments in the fund, unless, under the circumstances, it is  
2 clearly prudent not to do so, which shall include the length of the  
3 investment horizon. The Board or its designees may sell investments  
4 and realize losses if such action is considered advantageous to  
5 longer-term return maximization.

6 D. There is hereby created in the State Treasury a fund to be  
7 known and designated as the "Oklahoma Legacy Fund". The fund shall  
8 be a continuing fund, not subject to fiscal year limitations, and  
9 shall consist of surplus monies and savings appropriated by the  
10 Legislature.

11 E. The fund principal shall consist of monies which are  
12 deposited to the fund. Notwithstanding any other provisions of law,  
13 income and investment return on fund principal shall accrue to the  
14 fund.

15 F. If the balance of the fund exceeds One Billion One Hundred  
16 Million Dollars (\$1,100,000,000.00), the excess funds may be  
17 appropriated by the Legislature to supplement future reductions of  
18 certified funds available to be appropriated by the Legislature  
19 resulting from measures that reduce the tax burden on the citizens  
20 of this state.

21 G. The Board may use monies from the fund for administrative  
22 expenses. The Board shall submit an itemized request to the  
23 Director of the Office of Management and Enterprise Services and  
24 present an annual budget for the upcoming fiscal year to the

1 Legislature pursuant to Section 34.36 of Title 62 of the Oklahoma  
2 Statutes. The budget shall be approved by the Governor and  
3 Legislature through passage of a concurrent resolution.

4 SECTION 2. AMENDATORY 62 O.S. 2021, Section 34.36, is  
5 amended to read as follows:

6 Section 34.36. A. On the first day of October preceding each  
7 regular session of the Legislature, each state agency, including  
8 those created or established pursuant to constitutional provisions,  
9 and the Legacy Investment Board created in Section 1 of this act  
10 shall report to the Director of the Office of Management and  
11 Enterprise Services and the Chair and Vice Chair of the Legislative  
12 Oversight Committee on State Budget Performance an itemized request  
13 showing the amount needed for the ensuing fiscal year beginning with  
14 the first day of July.

15 B. The forms which must be used in making these reports shall  
16 be approved by the Director of the Office of Management and  
17 Enterprise Services and the Legislative Oversight Committee on State  
18 Budget Performance.

19 C. The forms shall be uniform, and shall clearly designate the  
20 information to be given.

21 D. The information provided shall include, but not be limited  
22 to:  
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- 1        1. A budget analysis of existing and proposed programs  
2 utilizing performance-informed budgeting techniques. Such analysis  
3 shall be included as a part of the estimate of funds needed;
- 4        2. A statement listing any other state, federal or local  
5 agencies which administer a similar or cooperating program and an  
6 outline of the interaction among such agencies;
- 7        3. A statement of the statutory authority for the missions and  
8 quantified objectives of each program;
- 9        4. A description of the groups of people served by each program  
10 in the agency;
- 11       5. A quantification of the need for the program;
- 12       6. A description of the tactics which are intended to  
13 accomplish each objective;
- 14       7. A list of quantifiable program outcomes which measure the  
15 efficiency and effectiveness of each program;
- 16       8. A ranking of these programs by priority;
- 17       9. Actual program expenditures for the current fiscal year and  
18 prior fiscal years and the number of personnel required to  
19 accomplish each program;
- 20       10. Revenues expected to be generated by each program, if any;
- 21       11. With respect to appropriated state agencies, a detailed  
22 listing of all employees and resources dedicated to the provision of  
23 financial services including but not limited to procurement,  
24 payroll, accounts receivable and accounts payable. The provisions

1 of this paragraph shall not be applicable to the Oklahoma State  
2 Regents for Higher Education or to any institutions within The  
3 Oklahoma State System of Higher Education; and

4 12. A certification that following the effective date of this  
5 act and prior to July 1, 2011, no expenditure shall have been made  
6 or funds encumbered for the purchase, lease, lease-purchase or  
7 rental of any computers, software, telecom, information technology  
8 hardware, firmware or information technology services, including  
9 support services without the prior written approval of the State  
10 Comptroller or his or her designee.

11 E. These appropriated agencies shall make an itemized estimate  
12 of needs for the ensuing fiscal year and the following two (2)  
13 fiscal years and request for funds for the ensuing fiscal year and  
14 an estimate of the revenues from all sources to be received by the  
15 agency during the ensuing fiscal year and the following two (2)  
16 fiscal years.

17 F. The Director of the Office of Management and Enterprise  
18 Services shall submit to the Governor and the Legislative Oversight  
19 Committee on State Budget Performance no later than the fifth day of  
20 October a complete list of all spending agencies which have failed  
21 to submit budgets by October 1.

22 G. The reports required by this section shall include an  
23 itemized listing of outstanding capital lease debt and estimated  
24 capital lease needs for the ensuing fiscal year and the following

1 two (2) fiscal years, and shall be provided on forms prescribed by  
2 the Director of the Office of Management and Enterprise Services.

3 H. For the purposes of this section, "capital lease" means a  
4 lease-purchase agreement which provides an option for ~~the State of~~  
5 ~~Oklahoma~~ this state or its agencies to purchase property, including  
6 personal and real property, which is the subject thereof and/or a  
7 lease agreement that provides an option for ~~the State of Oklahoma~~  
8 this state or its agencies to lease such property, which is the  
9 subject thereof, at a nominal annual amount, after a period in which  
10 leased property is rented at fair market value.

11 I. The provisions of this section shall not apply to CompSource  
12 Oklahoma if CompSource Oklahoma is operating pursuant to a pilot  
13 program authorized by Sections 3316 and 3317 of Title 74 of the  
14 Oklahoma Statutes.

15 J. Not later than January 1, the Director of the Office of  
16 Management and Enterprise Services shall publish a shared services  
17 cost-performance assessment report documenting the amount of each  
18 state agency's cost for providing shared services. The lowest  
19 ranking state agencies shall enter into a contract with the Office  
20 of Management and Enterprise Services for the provision of shared  
21 financial services, provided that the Director of the Office of  
22 Management and Enterprise Services determines that implementation of  
23 such a contract would be feasible and documents that the contractual  
24 agreement will result in cost savings or efficiencies to the state.



1 Contracts required by this subsection shall be entered into at the  
2 start of the next fiscal year. When a state agency is contracted  
3 with the Office of Management and Enterprise Services for the  
4 provision of shared financial services, the agency may discontinue  
5 using shared services when documentation showing that the agency can  
6 provide the services at a lower cost to the state is provided to and  
7 approved by the Director of the Office of Management and Enterprise  
8 Services. As used in this subsection, "shared services" means  
9 process, resource utilization or action as defined by administrative  
10 rule. On a yearly basis the Director of the Office of Management  
11 and Enterprise Services shall compile and publish a report  
12 documenting the cost savings resulting from shared services  
13 contracts. The provisions of this subsection shall not be  
14 applicable to the Oklahoma State Regents for Higher Education or to  
15 any institutions within The Oklahoma State System of Higher  
16 Education.

17 SECTION 3. AMENDATORY 62 O.S. 2021, Section 89.2, is  
18 amended to read as follows:

19 Section 89.2. A. The State Treasurer is directed to invest the  
20 maximum amount of funds under control of the State Treasurer  
21 consistent with good business practices. Except as otherwise  
22 provided for by law, the investments shall earn not less than the  
23 rate for comparable maturities on United States Department of the  
24

1 Treasury obligations. Except as otherwise provided for by law, the  
2 State Treasurer may purchase and invest only in:

3 1. Obligations of the United States ~~Government~~ government, its  
4 agencies and instrumentalities, or other obligations fully insured  
5 or unconditionally guaranteed as to the payment of principal and  
6 interest by the United States government or any of its agencies and  
7 instrumentalities;

8 2. Collateralized or insured certificates of deposit and other  
9 evidences of deposit at banks, savings banks, savings and loan  
10 associations and credit unions located in this state;

11 3. Negotiable certificates of deposit issued by a nationally or  
12 state-chartered bank, a savings bank, a savings and loan association  
13 or a state-licensed branch of a foreign bank. Purchases of  
14 negotiable certificates of deposit shall not exceed ten percent  
15 (10%) of the cash available for investment which may be invested  
16 pursuant to this section. Not more than one-half (1/2) of the ten  
17 percent (10%) limit shall be invested in any one financial  
18 institution specified in this paragraph;

19 4. Prime banker's acceptances which are eligible for purchase  
20 by the Federal Reserve System and which do not exceed two hundred  
21 seventy (270) days' maturity. Purchases of prime banker's  
22 acceptances shall not exceed ten percent (10%) of the cash available  
23 for investment which may be invested pursuant to this section. Not  
24

1 more than three-fourths (3/4) of the ten percent (10%) limit shall  
2 be invested in any one commercial bank pursuant to this paragraph;

3 5. Prime commercial paper which shall not have a maturity that  
4 exceeds one hundred eighty (180) days nor represent more than ten  
5 percent (10%) of the outstanding paper of an issuing corporation.  
6 Purchases of prime commercial paper shall not exceed seven and one-  
7 half percent (7 1/2%) of the cash available for investment which may  
8 be invested pursuant to this section;

9 6. Investment grade obligations of state and local governments,  
10 including obligations of Oklahoma state public trusts which possess  
11 the highest rating from at least one nationally recognized rating  
12 agency acceptable to the State Treasurer. Purchases of investment  
13 grade obligations of state and local governments shall not exceed  
14 ten percent (10%) of the cash available for investment which may be  
15 invested pursuant to this section;

16 7. Repurchase agreements, provided that such agreements are  
17 included within the written investment policy required by subsection  
18 D of this section that have underlying collateral consisting of  
19 those items and those restrictions specified in paragraphs 1 through  
20 6 of this subsection;

21 8. Money market funds and ~~short-term~~ short-term bond funds  
22 regulated by the Securities and Exchange Commission and which  
23 investments consist of those items and those restrictions specified  
24 in paragraphs 1 through 7 of this subsection; and

1        9. Bonds, notes, debentures or other similar obligations of a  
2 foreign government which the International Monetary Fund lists as an  
3 industrialized country and for which the full faith and credit of  
4 such nation has been pledged for the payment of principal and  
5 interest; provided, that any such security shall be rated at least  
6 A- or better by Standard & Poor's Corporation or A3 or better by  
7 Moody's Investors Service, or an equivalent investment grade by a  
8 securities ratings organization accepted by the National Association  
9 of Insurance Commissioners; and provided further, that the total  
10 investment in such foreign securities at any one time shall not  
11 exceed five percent (5%) of the cash available for investment which  
12 may be invested pursuant to this section. In no circumstance shall  
13 investments be made in bonds, notes, debentures or any similar  
14 obligations of a foreign government that:

15            a. is identified as a state sponsor of terrorism by the  
16                United States Department of State, or

17            b. any authoritarian or totalitarian government the  
18                sovereign powers of which are exercised through a  
19                single person or group of persons who are not elected  
20                by any form of legitimate popular voting.

21        B. Investments shall be made with judgment and care, under  
22 circumstances then prevailing, which persons of prudence, discretion  
23 and intelligence exercise in the management of their own affairs,  
24 not for speculation, but for investment, considering the probable

1 safety of their capital as well as the probable income to be  
2 derived.

3 C. The State Treasurer shall appoint an investment officer who  
4 shall perform duties related to the investment of state funds in the  
5 Office of the State Treasurer. The investment officer shall not  
6 perform or supervise any accounting functions, data processing  
7 functions or duties related to the documentation or settlement of  
8 investment transactions.

9 D. Investments of public funds by the State Treasurer shall be  
10 made in accordance with written policies developed by the State  
11 Treasurer. The written investment policies shall address:

- 12 1. Liquidity;
- 13 2. Diversification;
- 14 3. Safety of principal;
- 15 4. Yield;
- 16 5. Maturity and quality; and
- 17 6. Capability of investment management.

18 The State Treasurer shall place primary emphasis on safety and  
19 liquidity in the investment of public funds. To the extent  
20 practicable taking into account the need to use sound investment  
21 judgment, the written investment policies shall include provision  
22 for utilization of a system of competitive bidding in the investment  
23 of state funds. The written investment policies shall be designed  
24

1 to maximize yield within each class of investment instrument,  
2 consistent with the safety of the funds invested.

3 E. The State Treasurer shall select one custodial bank to  
4 settle transactions involving the investment of state funds under  
5 the control of the State Treasurer. The State Treasurer shall  
6 review the performance of the custodial bank at least once every  
7 year. The State Treasurer shall require a written competitive bid  
8 every five (5) years. The custodial bank shall have a minimum of  
9 Five Hundred Million Dollars (\$500,000,000.00) in assets to be  
10 eligible for selection. Any out-of-state custodial bank shall have  
11 a service agent in ~~the State of Oklahoma~~ this state so that service  
12 of summons or legal notice may be had on such designated agent as is  
13 now or may hereafter be provided by law. In order to be eligible  
14 for selection, the custodial bank shall allow electronic access to  
15 all transaction and portfolio reports maintained by the custodial  
16 bank involving the investment of state funds under control of the  
17 State Treasurer. The access shall be given to both the State  
18 Treasurer and to the Cash Management and Investment Oversight  
19 Commission. The requirement for electronic access shall be  
20 incorporated into any contract between the State Treasurer and the  
21 custodial bank. Neither the State Treasurer nor the custodial bank  
22 shall permit any of the funds under the control of the State  
23 Treasurer or any of the documents, instruments, securities or other  
24 evidence of a right to be paid money to be located in any place

1 other than within a jurisdiction or territory under the control or  
2 regulatory power of the United States ~~Government~~ government.

3 F. The investment policy shall specify the general philosophy,  
4 policies and procedures to be followed in the investment of state  
5 monies by the State Treasurer. The investment policy shall include,  
6 but not be limited to, the following:

- 7 1. Policy objectives;
- 8 2. Performance measure objectives;
- 9 3. Authority for investment program;
- 10 4. Possible use of an investment advisory committee;
- 11 5. Reporting and documentation of investments;
- 12 6. Authorized investment instruments;
- 13 7. Diversification of investment risk;
- 14 8. Maturity limitations;
- 15 9. Selections of financial institutions;
- 16 10. Interest controls;
- 17 11. Safekeeping of investments;
- 18 12. Investment ethics; and
- 19 13. Formal adoption of policy.

20 G. The State Treasurer shall provide weekly reports of all  
21 investments made by the State Treasurer if requested by the Cash  
22 Management and Investment Oversight Commission, and list any  
23 commissions, fees or payments made for services regarding such  
24 investments. The reports required by this subsection shall be

1 delivered to the Commission within three (3) business days of the  
2 end of the applicable week.

3 H. Not later than July 1 of each year, the State Treasurer  
4 shall forward a copy of the written investment policy to the  
5 Governor, the Speaker of the House of Representatives, the President  
6 Pro Tempore of the Senate, the Attorney General, the Bank  
7 Commissioner, and the Director of the Office of Management and  
8 Enterprise Services. In addition, the State Treasurer shall  
9 maintain one copy of the investment policy in the ~~office~~ Office of  
10 the State Treasurer for public inspection during regular business  
11 hours. Copies of any modifications to the investment policy shall  
12 be forwarded to the Governor, Speaker of the House of  
13 Representatives, President Pro Tempore of the Senate, and each  
14 member of the Cash Management and Investment Oversight Commission.

15 I. The provisions and limitations for investments provided in  
16 this section shall not apply to investments of the Oklahoma Legacy  
17 Fund created pursuant to Section 1 of this act.

18 SECTION 4. This act shall become effective July 1, 2023.

19 SECTION 5. It being immediately necessary for the preservation  
20 of the public peace, health or safety, an emergency is hereby  
21 declared to exist, by reason whereof this act shall take effect and  
22 be in full force from and after its passage and approval.

23  
24 59-1-1931

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