

Committee Substitute for House Bill No. 3661

An act relating to authority of the State Board of Administration to invest public funds; amending s. 215.44, F.S.; requiring the Office of Program Policy Analysis and Government Accountability to conduct or have conducted periodic performance audits of the board's management of trust fund investments and to submit the audit reports to the board and specified individuals; authorizing the State Board of Administration to invest funds of a state agency or unit of local government under certain circumstances; amending s. 215.47, F.S.; revising provisions relating to the investment of public funds and the securities authorized for such investment; providing for the loan of securities; repealing s. 215.455, F.S., relating to the loan of securities, to conform; amending s. 215.50, F.S.; correcting a cross reference, to conform; amending s. 215.515, F.S.; eliminating review by the Department of Management Services of charges of the board for investment services rendered; amending s. 215.835, F.S.; authorizing the board to adopt rules necessary to carry out the provisions and intent of the State Bond Act; amending s. 159.825, F.S.; authorizing the board to adopt rules necessary to carry out provisions of law relating to interest rate waivers for the sale of taxable bonds; amending s. 190.016, F.S.; correcting a cross reference, to conform; amending s. 218.407, F.S.; revising provisions relating to local government resolutions required for deposit of surplus funds in the Local Government Surplus Funds Trust Fund; amending s. 235.187, F.S.; authorizing covenants that additional funds from lottery and certain similar sources will be available for payments for Classrooms First Program bonds before any other purpose; amending s. 235.2195, F.S.; authorizing covenants that additional funds from lottery and certain similar sources will be available for payments for the 1997 School Capital Outlay Bond Program bonds before any other purpose; creating s. 218.412, F.S.; authorizing the board to adopt rules necessary for the administration of the trust fund; creating s. 413.0115, F.S.; authorizing the board to invest and reinvest the portfolio of stocks, bonds, and mutual funds held by the Division of Blind Services; requiring the division director to make the portfolio available and transfer it to the board for investment; providing intent with respect to a time limitation on the issuance of certain lottery bonds; providing an effective date.

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

Section 1. Subsections (1) and (6) of section 215.44, Florida Statutes, are amended to read:

215.44 Board of Administration; powers and duties in relation to investment of trust funds.—

(1) Except when otherwise specifically provided by the State Constitution and subject to any limitations of the trust agreement relating to a trust fund, the Board of Administration, hereinafter sometimes referred to as "board," composed of the Governor as chair, the Treasurer, and the Comptroller, shall invest all the funds in the System Trust Fund, as defined in s. 121.021(36), and all other funds specifically required by law to be invested by the board pursuant to ss. 215.44-215.53 to the fullest extent that is consistent with the cash requirements, trust agreement, and investment objectives of the fund. Notwithstanding any other law to the contrary, the State Board of Administration may invest any funds of any state agency or any unit of local government pursuant to the terms of a trust agreement with the head of the state agency or the governing body of the unit of local government, which trust agreement shall govern the investment of such funds, provided that the board shall approve the undertaking of such investment before execution of the trust agreement by the State Board of Administration. The funds and the earnings therefrom are exempt from the service charge imposed by s. 215.20. As used in this subsection, the term "state agency" has the same meaning as that provided in s. 216.001, and the terms "governing body" and "unit of local government" have the same meaning as that provided in s. 218.403.

(6) ~~The Auditor General shall audit annually the entire operation of the board. The Office of Program Policy Analysis and Government Accountability. In addition to his or her regular financial and compliance audit, the Auditor General shall also perform or cause to be performed a performance audit of the management by the board of investments every 2 years., including among other things his or her independent verification of the data included by the board in its reports to the Legislature required by subsection (5). The Auditor General may elect to contract with a private professional firm qualified in investment portfolio management to conduct the performance audit of investment management required by this subsection.~~ In addition to the duties prescribed in this subsection, the Auditor General and the Office of Program Policy Analysis and Government Accountability shall annually as part of his or her audit conduct performance postaudits of investments under s. 215.47(6) which are not otherwise authorized under ss. 215.44-215.53. The Auditor General shall submit such audit report to the board, the President of the Senate, and the Speaker of the House of Representatives and their designees.

Section 2. Section 215.47, Florida Statutes, is amended to read:

215.47 Investments; authorized securities; loan of securities.—Subject to the limitations and conditions of the State Constitution or of the trust agreement relating to a trust fund, moneys available for investments under ss. 215.44-215.53 may be invested as follows:

(1) Without limitation in:

(a) Bonds, notes, or other obligations of the United States or those guaranteed by the United States or for which the credit of the United States is pledged for the payment of the principal and interest or dividends thereof.

(b) State bonds pledging the full faith and credit of the state and revenue bonds additionally secured by the full faith and credit of the state.

(c) Bonds of the several counties or districts in the state containing a pledge of the full faith and credit of the county or district involved.

(d) Bonds issued or administered by the State Board of Administration secured solely by a pledge of all or part of the 2-cent constitutional fuel tax accruing under the provisions of s. 16, Art. IX of the State Constitution of 1885, as amended, or of s. 9, Art. XII of the 1968 revised State Constitution.

(e) Bonds issued by the State Board of Education pursuant to ss. 18 and 19, Art. XII of the State Constitution of 1885, as amended, or to s. 9, Art. XII of the 1968 revised State Constitution, as amended.

(f) Bonds issued by the Florida Outdoor Recreational Development Council pursuant to s. 17, Art. IX of the State Constitution of 1885, as amended.

(g) Bonds issued by the Florida State Improvement Commission, Florida Development Commission, Division of Bond Finance of the Department of General Services, or Division of Bond Finance of the State Board of Administration.

(h) Savings accounts in, or certificates of deposit of, any bank, savings bank, or savings and loan association incorporated under the laws of this state or organized under the laws of the United States doing business and situated in this state, the accounts of which are insured by the Federal Government or an agency thereof, in an amount that does not exceed 15 percent of the net worth of the institution, or a lesser amount as determined by rule by the State Board of Administration, provided such savings accounts and certificates of deposit are secured in the manner prescribed in chapter 280.

(i) Notes, bonds, and other obligations of agencies of the United States.

~~(i) Obligations of the Federal Farm Credit Banks and obligations of the Federal Home Loan Bank and its district banks.~~

~~(j) Obligations of the Federal Home Loan Mortgage Corporation, including participation certificates.~~

~~(k) Obligations guaranteed by the Government National Mortgage Association.~~

~~(j)(l)~~ Commercial paper of prime quality of the highest letter and numerical rating as provided for by at least one nationally recognized rating service.

~~(k)(m)~~ Time drafts or bills of exchange drawn on and accepted by a commercial bank, otherwise known as banker's acceptances, which are accepted by a member bank of the Federal Reserve System having total deposits of not less than \$400 million.

(l) Negotiable certificates of deposit issued by domestic or foreign financial institutions in United States dollars.

~~(m)(n)~~ Short-term obligations not authorized elsewhere in this section to be purchased individually or in pooled accounts or other collective investment funds, for the purpose of providing liquidity to any fund or portfolio.

~~(n)(o)~~ Securities of, or other interests in, any open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C. ss. 80a-1 et seq., as amended from time to time, provided that the portfolio of such investment company or investment trust is limited to obligations of the United States Government or any agency or instrumentality thereof and to repurchase agreements fully collateralized by such United States Government obligations and provided that such investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian.

(2) With no more than 25 percent of any fund in:

(a) Bonds, notes, or obligations of any municipality or political subdivision or any agency or authority of this state, if such obligations are rated in any one of the three highest ratings by two nationally recognized rating services. However, if only one nationally recognized rating service shall rate such obligations, then such rating service must have rated such obligations in any one of the two highest classifications heretofore mentioned.

(b) Notes secured by first mortgages on Florida real property, insured or guaranteed by the Federal Housing Administration or the United States Department of Veterans Affairs.

~~(c) Interest-bearing obligations of the International Bank for Reconstruction and Development, the Inter-American Development Bank, the African Development Bank, the International Finance Corporation, the Asian Development Bank, the European Investment Bank, or the Nordic Investment Bank.~~

~~(c)(d)~~ Investments collateralized by first mortgages covering single-family Florida residences, provided such mortgages do not exceed \$60,000, do not exceed 80 percent of value, are not delinquent, and are originated by a lender regulated by the state or Federal Government and the aggregate of the collateral furnished is at least 150 percent of the aggregate investment under this subsection. The mortgages used for collateral shall be segregated by the lending institution so that such segregation may be confirmed by independent audit. In the event any such mortgage used as collateral becomes more than 3 months delinquent, the lender shall immediately substitute therefor a mortgage of equal or greater value.

(d) Mortgage securities which represent participation in or are collateralized by mortgage loans secured by real property. Such securities must be issued by an agency of or enterprise sponsored by the United States Government, including, but not limited to, the Government National Mortgage Association, the Federal National Mortgage Association, and the Federal Home Loan Mortgage Corporation.

~~(e) Mortgage pass-through certificates, meaning certificates evidencing ownership of an undivided interest in pools of conventional mortgages on real property which is improved by a building or buildings used for residential purposes for one to four families when:~~

~~1.—Such real property is located in this state;~~

~~2.—Such mortgages are originated by one or more banks or savings and loan associations organized under the laws of this state, by national banks or federal savings and loan associations having their principal place of business in this state, or by a lender that is approved by the Secretary of Housing and Urban Development for the participation in any mortgage insurance program under the National Housing Act and has its principal place of business in this state, or by any combination thereof; and~~

~~3.—Such mortgages are transferred or assigned to a corporate trustee acting for the benefit of the holders of such certificates.~~

~~(f) Obligations of the Federal National Mortgage Association.~~

~~(e)(g) Group annuity contracts of the pension investment type with insurers licensed to do business in this state, except that amounts invested by the board with any one insurer shall not exceed 3 percent of its assets.~~

~~(f)(h) Certain interests in real property and related personal property, including mortgages and related instruments on commercial or industrial real property, with provisions for equity or income participation or with provisions for convertibility to equity ownership; and interests in collective investment funds. Associated expenditures for acquisition and operation of assets purchased under this provision shall be included as a part of the cost of the investment.~~

1. The title to real property acquired under this paragraph shall be vested in the name of the respective fund.

2. For purposes of taxation of property owned by any fund, the provisions of s. 196.199(2)(b) do not apply.

3. Real property acquired under the provisions of this paragraph shall not be considered state lands or public lands and property as defined in chapter 253, and the provisions of that chapter do not apply to such real property.

~~(g)(i) General obligations backed by the full faith and credit of a foreign government which has not defaulted on similar obligations for a minimum period of 25 years prior to purchase of the obligation and has met its payments of similar obligations when due.~~

~~(h)(j) A portion of the funds available for investment pursuant to this subsection may be invested in rated or unrated bonds, notes, or instruments backed by the full faith and credit of the government of Israel.~~

~~(i)(k) Obligations of agencies of the government of the United States, provided such obligations have been included in and authorized by the~~

Florida Retirement System Total Fund Investment Plan established in s. 215.475.

(j)(4) United States dollar-denominated obligations issued by foreign governments, or political subdivisions or agencies thereof, supranational agencies, ~~or foreign corporations, or foreign commercial entities.~~

(3) With no more than 80 percent of any fund in common stock, preferred stock, and interest-bearing obligations of a corporation having an option to convert into common stock, provided:

(a) The corporation is organized under the laws of the United States, any state or organized territory of the United States, or the District of Columbia; or

(b) The corporation is listed on any one or more of the recognized national stock exchanges in the United States and conforms with the periodic reporting requirements under the Securities Exchange Act of 1934.

(c) Not more than 75 50 percent of the fund may be in internally managed common stock.

The board shall not invest more than 10 percent of the equity assets of any fund in the common stock, preferred stock, and interest-bearing obligations having an option to convert into common stock, of any one issuing corporation; and the board shall not invest more than 3 percent of the equity assets of any fund in such securities of any one issuing corporation except to the extent a higher percentage of the same issue is included in a nationally recognized market index, based on market values, at least as broad as the Standard and Poor's Composite Index of 500 Companies, or except upon a specific finding by the board that such higher percentage is in the best interest of the fund. ~~The board may only sell listed options to reduce investment risk, to improve cash flow, or to provide alternative means for the purchase and sale of underlying investment securities. Reversing transactions may be made to close out existing option positions.~~

(4) With no more than 80 percent of any fund, in interest-bearing obligations with a fixed maturity of any corporation or commercial entity within the United States.

(5) With no more than 20 10 percent of any fund in corporate obligations and securities of any kind of a foreign corporation or a foreign commercial entity having its principal office located in any country other than the United States of America or its possessions or territories, not including United States dollar-denominated securities listed and traded on a United States exchange which are a part of the ordinary investment strategy of the board.

(6) With no more than 5 percent of any fund to be invested as deemed appropriate by the board, notwithstanding investment limitations otherwise expressed in this section. Prior to the board engaging in any investment activity not otherwise authorized under ss. 215.44-215.53, excluding investments in publicly traded securities, options, financial futures, or similar

instruments, the board shall present to the Investment Advisory Council a proposed plan for such investment. Said plan shall include, but not be limited to, the expected benefits and potential risks of such activity; methods for monitoring and measuring the performance of the investment; a complete description of the type, nature, extent and purpose of the investment, including description of issuer, security in which investment is proposed to be made, voting rights or lack thereof and control to be acquired, restrictions upon voting, transfer, and other material rights of ownership, and the existence of any contracts, arrangements, understandings, or relationships with any person or entity (naming the same) with respect to the proposed investment; and assurances that sufficient investment expertise is available to the board to properly evaluate and manage such activity. The Investment Advisory Council may obtain independent investment counsel to provide expert advice with regard to such proposed investment activity by the board, and the board shall defray such costs.

(7) For the purpose of determining the above investment limitations, the value of bonds shall be the par value thereof, and the value of evidences of ownership and interest-bearing obligations having an option to convert to ownership shall be the cost thereof.

(8) Investments in any securities authorized by this section may be under repurchase agreements or reverse repurchase agreements.

(9) Investments made by the State Board of Administration shall be designed to maximize the financial return to the fund consistent with the risks incumbent in each investment and shall be designed to preserve an appropriate diversification of the portfolio. The board shall discharge its duties with respect to a plan solely in the interest of its participants and beneficiaries. The board in performing the above investment duties shall comply with the fiduciary standards set forth in the Employee Retirement Income Security Act of 1974 at 29 U.S.C. s. 1104(a)(1)(A) through (C). In case of conflict with other provisions of law authorizing investments, the investment and fiduciary standards set forth in this subsection shall prevail.

(10) The board is authorized to buy and sell futures and options, provided the instruments for such purpose are traded on a securities exchange or board of trade regulated by the Securities and Exchange Commission or the Commodity Futures Trading Commission, unless the board by rule authorizes a different market.

(11) The board is authorized to invest in domestic or foreign notional principal contracts.

(12) The State Board of Administration, consistent with sound investment policy, may pledge up to 2 percent of the assets of the Florida Retirement System Trust Fund as collateral for housing bonds issued by the State of Florida or its political subdivisions under chapter 159, part V of chapter 420, or chapter 421 as a supplemental income program for the system. With regard to any collateral program, the State Board of Administration is authorized to coordinate or retain other governmental entities of the State of Florida or private entities to administer this program, as well as receive fees for the use of the designated collateral.

(13) The State Board of Administration, consistent with sound investment policy, may invest the earnings accrued and collected upon the investment of the minimum balance of funds required to be maintained in the State Transportation Trust Fund pursuant to s. 339.135(6)(7)(b). Such investment shall be limited as provided in s. 288.9607(7).

(14) With no more than 5 percent of any fund in private equity through participation in limited partnerships and limited liability companies.

(15) The State Board of Administration is authorized to invest in domestic and foreign group trusts.

(16) Securities or investments purchased or held under the provisions of this section may be loaned to securities dealers or financial institutions, provided the loan is collateralized by cash or securities having a market value of at least 100 percent of the market value of the securities loaned.

Section 3. Section 215.455, Florida Statutes, is repealed.

Section 4. Subsection (4) of section 215.50, Florida Statutes, is amended to read:

215.50 Custody of securities purchased; income.—

(4) Securities that the board selects to use for options operations under s. 215.45 or for lending under s. ~~215.47(16)~~ 215.455 shall be registered by the Treasurer in the name of a third-party nominee in order to facilitate such operations.

Section 5. Section 215.515, Florida Statutes, is amended to read:

215.515 Investment accounts; charges for services.—

(1) The State Board of Administration shall make reasonable charges for all investment services performed for any agency, the judicial branch, or any fund in accordance with the provisions of ss. 215.44-215.53 or other provisions of law. The agency, fund, or judicial branch shall pay the charges, and such sums as may be necessary for this purpose are hereby appropriated from earnings on investments held by such agency, fund, or the judicial branch. The amount to be paid by each agency, fund, or the judicial branch shall be determined in such proportion as the service rendered to each agency, fund, or the judicial branch bears to the total service rendered to all agencies and funds and the judicial branch.

~~(2) The charges established and any revisions thereof shall be reviewed by the Department of Management Services. The review, and any recommendations of the Department of Management Services accompanying the review, may be considered by the board prior to the adoption of the charges or revision thereof by the board.~~

~~(2)~~(3) The State Board of Administration Administrative Expense Trust Fund may be invested by the board to the extent that such investment is consistent with the cash requirements and investment objectives of the board.

Section 6. Section 215.835, Florida Statutes, is amended to read:

215.835 Rulemaking authority.—The Division of Bond Finance and the State Board of Administration may adopt rules ~~deemed as it deems~~ necessary to carry out the provisions and intent of this act, including, but not limited to, reporting of debt service accounts.

Section 7. Section 159.825, Florida Statutes, is amended to read:

159.825 Terms of bonds.—

(1) The ordinance, resolution, indenture, agreement, or other instrument providing for the issuance of taxable bonds may provide for any of the following:

(a)(1) The bonds shall be in such denominations, in such form, either bearer or registered, and payable at such place or places, either within or without the United States, at such time or times, as, in each case, the governing body shall determine subject to any limitations on the maturity of bonds set forth in the statutes under authority of which the bonds are issued.

(b)(2) The bonds shall be payable in legal tender of the United States, in a foreign currency, in commodities, or in precious metals, as the governing body shall determine.

(c)(3) The governing body may appoint, in connection with the bond issue, a cotrustee located outside of the boundaries of the United States or its territories or possessions so long as it shall also appoint a trustee otherwise meeting the requirements of the statutes under authority of which the bonds are issued. The governing body may appoint, in connection with the bond issue, a paying agent or a copaying agent located outside the boundaries of the United States or its territories or possessions.

(d)(4) Bonds shall bear interest at a rate not to exceed an average net interest cost rate, which shall be computed by adding 500 basis points to the 30-year Treasury Bond yield published in The Bond Buyer immediately preceding the first day of the calendar month in which the bonds are sold. If the interest rate on bonds bearing a floating or variable rate of interest as calculated on the date of the initial sale thereof does not exceed the limitation provided by this paragraph ~~section~~, so long as the basis, method, or formula for computing the floating or variable rate does not change during the life of the bonds, subsequent increases in the interest rate in accordance with said basis, method, or formula shall not cause the interest rate on the bonds to violate the limitation provided by this paragraph ~~subsection~~. A certificate by the issuer of the bonds as to the computation of the interest rate in compliance with this requirement shall be deemed conclusive evidence of compliance with the provisions of this paragraph ~~subsection~~. Such maximum rate does not apply to bonds rated by a nationally recognized rating service in any one of the three highest classifications, which rating services and classifications are determined pursuant to rules adopted by the State Board of Administration.

~~(e)(5)~~ Upon the request of a governmental unit, the State Board of Administration may authorize, for a specific issue or reissue of bonds, a rate of interest in excess of the maximum rate prescribed in paragraph (d) subsection (4). The governmental unit shall provide in its request:

1.(a) Relevant supporting data which shall include, but not be limited to:

a.1. The official statement or prospectus, if available, or similar information relating to the sale of the bonds;

b.2. The resolution or ordinance authorizing the issuance of the bonds;

c.3. Financial data relating to anticipated revenue, debt service, and coverage; and

d.4. The most recent financial statement of the governmental unit.

2.(b) Information relating to sale of the bonds, including the amount of the discount, if any. In making the determination to exceed the maximum interest rate, the State Board of Administration shall consider, but not be limited to considering, comparable sales of other taxable bonds of other governmental units and evidence that the objectives and intent of the issuing of such bonds will be realized. This subparagraph ~~paragraph~~ shall not apply to:

a.1. Bonds which have been sold prior to June 30, 1987, and which are delivered pursuant to said sale on or after June 30, 1987.

b.2. Bonds issued to finance projects under part II, part III, or part V of this chapter or health facilities under part III of chapter 154.

c.3. Limit or restrict the rate of interest on bonds or other obligations of municipal utilities or agencies thereof issued or made pursuant to authority provided in part II of chapter 166 and s. 215.431.

(f)(6) In connection with, or incidental to, the sale and issuance of bonds, the governmental unit may enter into any contracts which the governing body determines to be necessary or appropriate to achieve a desirable effective interest rate in connection with the bonds by means of, but not limited to, contracts commonly known as investment contracts, funding agreements, interest rate swap agreements, currency swap agreements, forward payment conversion agreements, futures, or contracts providing for payments based on levels of or changes in interest rates, or contracts to exchange cash flows or a series of payments, or contracts, including, without limitation, options, puts, or calls to hedge payment, rate, spread, or similar exposure. Such contracts or arrangements may also be entered into by governmental units in connection with, or incidental to, entering into any agreement which secures bonds or provides liquidity therefor. Such contracts and arrangements shall be made upon the terms and conditions established by the governing body, after giving due consideration for the credit worthiness of the counterparties, where applicable, including any rating by a nationally recognized rating service or any other criteria as may be appropriate.

~~(g)(7)~~ In connection with, or incidental to, the sale and issuance of the bonds, or entering into any of the contracts or arrangements referred to in paragraph (f) subsection (6), the governmental unit may enter into such credit enhancement or liquidity agreements, with such payment, interest rate, security, default, remedy, and other terms and conditions as the governing body shall determine.

~~(h)(8)~~ Notwithstanding any provisions of state law relating to the investment or reinvestment of surplus funds of any governmental unit, proceeds of the bonds and any moneys set aside or pledged to secure payment of the principal of, premium, if any, and interest on the bonds, or any of the contracts entered into pursuant to paragraph (f) subsection (6), may be invested in securities or obligations described in the ordinance or resolution providing for the issuance of the bonds.

(2) The State Board of Administration may adopt rules as it deems necessary to carry out the provisions of this section relating to interest rate waivers for the sale of taxable bonds.

Section 8. Subsection (2) of section 190.016, Florida Statutes, is amended to read:

190.016 Bonds.—

(2) AUTHORIZATION AND FORM OF BONDS.—Any general obligation bonds, benefit bonds, or revenue bonds may be authorized by resolution or resolutions of the board which shall be adopted by a majority of all the members thereof then in office. Such resolution or resolutions may be adopted at the same meeting at which they are introduced and need not be published or posted. The board may, by resolution, authorize the issuance of bonds and fix the aggregate amount of bonds to be issued; the purpose or purposes for which the moneys derived therefrom shall be expended, including, but not limited to, payment of costs as defined in s. 190.003(7); the rate or rates of interest, in compliance with s. 215.84; the denomination of the bonds; whether or not the bonds are to be issued in one or more series; the date or dates of maturity, which shall not exceed 40 years from their respective dates of issuance; the medium of payment; the place or places within or without the state where payment shall be made; registration privileges; redemption terms and privileges, whether with or without premium; the manner of execution; the form of the bonds, including any interest coupons to be attached thereto; the manner of execution of bonds and coupons; and any and all other terms, covenants, and conditions thereof and the establishment of revenue or other funds. Such authorizing resolution or resolutions may further provide for the contracts authorized by s. 159.825(1)(f) and (g) ~~(6) and (7)~~ regardless of the tax treatment of such bonds being authorized, subject to the finding by the board of a net saving to the district resulting by reason thereof. Such authorizing resolution may further provide that such bonds may be executed in accordance with the Registered Public Obligations Act, except that bonds not issued in registered form shall be valid if manually countersigned by an officer designated by appropriate resolution of the board. The seal of the district may be affixed, lithographed, engraved, or otherwise reproduced in facsimile on such bonds. In case any officer whose

signature shall appear on any bonds or coupons shall cease to be such officer before the delivery of such bonds, such signature or facsimile shall nevertheless be valid and sufficient for all purposes the same as if he or she had remained in office until such delivery.

Section 9. Subsection (1) of section 218.407, Florida Statutes, is amended to read:

218.407 Local government investment authority.—

(1) Upon determination by the governing body that it is in the interest of the unit of local government to deposit surplus funds in the trust fund, a resolution by the governing body shall be filed with the State Board of Administration authorizing investment of its surplus funds in the trust fund established by this part. The resolution shall name:

(a) The local government official, who may be the chief financial or administrative officer of the local government, or

(b) An independent trustee holding funds on behalf of the unit of local government,

~~responsible for deposit and withdrawal of such funds and shall state the approximate cash-flow requirements of the local government for the surplus funds to be invested.~~

Section 10. Subsection (4) of section 235.187, Florida Statutes, is amended to read:

235.187 Classrooms First Program; uses.—

(4) Bonds issued under this section must be validated as prescribed by chapter 75. The complaint for the validation must be filed in the circuit court of the county where the seat of state government is situated; the notice required to be published by s. 75.06 must be published only in the county where the complaint is filed; and the complaint and order of the circuit court must be served only on the state attorney of the circuit in which the action is pending. The state covenants with holders of bonds issued under this section that it will not take any action that will materially and adversely affect the rights of such holders so long as such bonds are outstanding. The state does hereby additionally authorize the establishment of a covenant in connection with the bonds which provides that any additional funds received by the state from new or enhanced lottery programs, video gaming, or other similar activities will first be available for payments relating to bonds pledging revenues available pursuant to s. 24.121(2), prior to use for any other purpose.

Section 11. Subsection (1) of section 235.2195, Florida Statutes, is amended to read:

235.2195 The 1997 School Capital Outlay Bond Program.—There is hereby established the 1997 School Capital Outlay Bond program.

(1) The issuance of revenue bonds payable from the first lottery revenues transferred to the Educational Enhancement Trust Fund each fiscal year, as provided by s. 24.121(2), is authorized to finance or refinance the construction, acquisition, reconstruction, or renovation of educational facilities. Such bonds shall be issued pursuant to and in compliance with the provisions of s. 11(d), Art. VII of the State Constitution, the provisions of the State Bond Act, ss.215.57-215.83, as amended, and the provisions of this section. The state does hereby covenant with the holders of such revenue bonds that it will not take any action which will materially and adversely affect the rights of such holders so long as bonds authorized by this section are outstanding. The state does hereby additionally authorize the establishment of a covenant in connection with the bonds which provides that any additional funds received by the state from new or enhanced lottery programs, video gaming, or other similar activities will first be available for payments relating to bonds pledging revenues available pursuant to s. 24.121(2), prior to use for any other purpose.

Section 12. Section 218.412, Florida Statutes, is created to read:

218.412 Rulemaking authority.—The State Board of Administration may adopt rules as it deems necessary to carry out the provisions of this part for the administration of the Local Government Surplus Funds Trust Fund.

Section 13. Section 413.0115, Florida Statutes, is created to read:

413.0115 State Board of Administration; authorization to invest division's portfolio.—The State Board of Administration may invest and reinvest the portfolio of stocks, bonds, and mutual funds held by the Division of Blind Services in accordance with the trust agreement approved by the Division of Blind Services and the State Board of Administration and the provisions of ss. 215.44-215.53. The director of the Division of Blind Services shall make the portfolio available and shall transfer it to the State Board of Administration for investment.

Section 14. After considering relevant factors in providing the most cost effective plan for financing public school construction and in order to minimize amounts paid in interest on lottery revenue bonds issued pursuant to chapter 97-384, Laws of Florida, it is desirable that the final maturity of any such bonds not exceed 20 years, even though such limitation on maturity may require an increase in the maximum annual appropriation to reach the desired level of funding for public school construction.

Section 15. This act shall take effect upon becoming a law.

Approved by the Governor May 11, 1998.

Filed in Office Secretary of State May 11, 1998.