

As Introduced

**130th General Assembly
Regular Session
2013-2014**

S. B. No. 287

Senator Hughes

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A B I L L

To amend sections 135.14, 135.142, 135.143, 135.35, 1
and 3770.06 and to enact section 135.48 of the 2
Revised Code to modify authorized investments of 3
interim moneys and inactive moneys under the 4
Uniform Depository Act. 5

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF OHIO:

Section 1. That sections 135.14, 135.142, 135.143, 135.35, 6
and 3770.06 be amended and section 135.48 of the Revised Code be 7
enacted to read as follows: 8

Sec. 135.14. (A) As used in this section: 9

(1) "Treasurer" does not include the treasurer of state, and 10
"governing board" does not include the state board of deposit. 11

(2) "Other obligations" includes notes whether or not issued 12
in anticipation of the issuance of bonds. 13

(B) The treasurer or governing board may invest or deposit 14
any part or all of the interim moneys. The following 15
classifications of obligations shall be eligible for such 16
investment or deposit: 17

(1) United States treasury bills, notes, bonds, or any other 18
obligation or security issued by the United States treasury or any 19

other obligation guaranteed as to principal and interest by the 20
United States. 21

Nothing in the classification of eligible obligations set 22
forth in division (B)(1) of this section or in the classifications 23
of eligible obligations set forth in divisions (B)(2) to (7) of 24
this section shall be construed to authorize any investment in 25
stripped principal or interest obligations of such eligible 26
obligations. 27

(2) Bonds, notes, debentures, or any other obligations or 28
securities issued by any federal government agency or 29
instrumentality, including but not limited to, the federal 30
national mortgage association, federal home loan bank, federal 31
farm credit bank, federal home loan mortgage corporation, and 32
government national mortgage association, ~~and student loan~~ 33
~~marketing association~~. All federal agency securities shall be 34
direct issuances of federal government agencies or 35
instrumentalities. 36

(3) Interim deposits in the eligible institutions applying 37
for interim moneys as provided in section 135.08 of the Revised 38
Code. The award of interim deposits shall be made in accordance 39
with section 135.09 of the Revised Code and the treasurer or the 40
governing board shall determine the periods for which such interim 41
deposits are to be made and shall award such interim deposits for 42
such periods, provided that any eligible institution receiving an 43
interim deposit award may, upon notification that the award has 44
been made, decline to accept the interim deposit in which event 45
the award shall be made as though the institution had not applied 46
for such interim deposit. 47

(4) Bonds and other obligations of this state, or the 48
political subdivisions of this state, provided that, with respect 49
to bonds or other obligations of political subdivisions, all of 50
the following apply: 51

(a) The bonds or other obligations are payable from general revenues of the political subdivision and backed by the full faith and credit of the political subdivision. 52
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(b) The bonds or other obligations are rated at the time of purchase in the three highest classifications established by at least one nationally recognized standard rating service and purchased through a registered securities broker or dealer. 55
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(c) The aggregate value of the bonds or other obligations does not exceed twenty per cent of interim moneys available for investment at the time of purchase. 59
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(d) The treasurer or governing board is not the sole purchaser of the bonds or other obligations at original issuance. 62
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No investment shall be made under division (B)(4) of this section unless the treasurer or governing board has completed additional training for making the investments authorized by division (B)(4) of this section. The type and amount of additional training shall be approved by the treasurer of state and may be conducted by or provided under the supervision of the treasurer of state. 64
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(5) No-load money market mutual funds consisting exclusively of obligations described in division (B)(1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions mentioned in section 135.03 of the Revised Code; 71
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(6) The Ohio subdivision's fund as provided in section 135.45 of the Revised Code; 77
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(7) Up to ~~twenty-five~~ forty per cent of interim moneys available for investment in either of the following: 79
80

(a) Commercial paper notes issued by an entity that is 81

defined in division (D) of section 1705.01 of the Revised Code and 82
that has assets exceeding five hundred million dollars, to which 83
notes all of the following apply: 84

(i) The notes are rated at the time of purchase in the 85
highest classification established by at least two nationally 86
recognized standard rating services. 87

(ii) The aggregate value of the notes does not exceed ten per 88
cent of the aggregate value of the outstanding commercial paper of 89
the issuing corporation. 90

(iii) The notes mature not later than ~~one~~ two hundred ~~eighty~~ 91
seventy days after purchase. 92

(iv) The investment in commercial paper notes of a single 93
issuer shall not exceed in the aggregate five per cent of interim 94
moneys available for investment at the time of purchase. 95

(b) Bankers acceptances of banks that are insured by the 96
federal deposit insurance corporation and to which both of the 97
following apply: 98

(i) The obligations are eligible for purchase by the federal 99
reserve system. 100

(ii) The obligations mature not later than one hundred eighty 101
days after purchase. 102

No investment shall be made pursuant to division (B)(7) of 103
this section unless the treasurer or governing board has completed 104
additional training for making the investments authorized by 105
division (B)(7) of this section. The type and amount of additional 106
training shall be approved by the ~~auditor~~ treasurer of state and 107
may be conducted by or provided under the supervision of the 108
~~auditor~~ treasurer of state. 109

(C) Nothing in the classifications of eligible obligations 110
set forth in divisions (B)(1) to (7) of this section shall be 111

construed to authorize any investment in a derivative, and no 112
treasurer or governing board shall invest in a derivative. For 113
purposes of this division, "derivative" means a financial 114
instrument or contract or obligation whose value or return is 115
based upon or linked to another asset or index, or both, separate 116
from the financial instrument, contract, or obligation itself. Any 117
security, obligation, trust account, or other instrument that is 118
created from an issue of the United States treasury or is created 119
from an obligation of a federal agency or instrumentality or is 120
created from both is considered a derivative instrument. An 121
eligible investment described in this section with a variable 122
interest rate payment, based upon a single interest payment or 123
single index comprised of other eligible investments provided for 124
in division (B)(1) or (2) of this section, is not a derivative, 125
provided that such variable rate investment has a maximum maturity 126
of two years. 127

(D) Except as provided in division (E) of this section, any 128
investment made pursuant to this section must mature within five 129
years from the date of settlement, unless the investment is 130
matched to a specific obligation or debt of the subdivision. 131

(E) The treasurer or governing board may also enter into a 132
written repurchase agreement with any eligible institution 133
mentioned in section 135.03 of the Revised Code or any eligible 134
dealer pursuant to division (M) of this section, under the terms 135
of which agreement the treasurer or governing board purchases, and 136
such institution or dealer agrees unconditionally to repurchase 137
any of the securities listed in divisions (B)(1) to (5), except 138
letters of credit described in division (B)(2), of section 135.18 139
of the Revised Code. The market value of securities subject to an 140
overnight written repurchase agreement must exceed the principal 141
value of the overnight written repurchase agreement by at least 142
two per cent. A written repurchase agreement shall not exceed 143

thirty days and the market value of securities subject to a 144
written repurchase agreement must exceed the principal value of 145
the written repurchase agreement by at least two per cent and be 146
marked to market daily. All securities purchased pursuant to this 147
division shall be delivered into the custody of the treasurer or 148
governing board or an agent designated by the treasurer or 149
governing board. A written repurchase agreement with an eligible 150
securities dealer shall be transacted on a delivery versus payment 151
basis. The agreement shall contain the requirement that for each 152
transaction pursuant to the agreement the participating 153
institution or dealer shall provide all of the following 154
information: 155

(1) The par value of the securities; 156

(2) The type, rate, and maturity date of the securities; 157

(3) A numerical identifier generally accepted in the 158
securities industry that designates the securities. 159

No treasurer or governing board shall enter into a written 160
repurchase agreement under the terms of which the treasurer or 161
governing board agrees to sell securities owned by the subdivision 162
to a purchaser and agrees with that purchaser to unconditionally 163
repurchase those securities. 164

(F) No treasurer or governing board shall make an investment 165
under this section, unless the treasurer or governing board, at 166
the time of making the investment, reasonably expects that the 167
investment can be held until its maturity. 168

(G) No treasurer or governing board shall pay interim moneys 169
into a fund established by another subdivision, treasurer, 170
governing board, or investing authority, if that fund was 171
established for the purpose of investing the public moneys of 172
other subdivisions. This division does not apply to the payment of 173
public moneys into either of the following: 174

(1) The Ohio subdivision's fund pursuant to division (B)(6) 175
of this section; 176

(2) A fund created solely for the purpose of acquiring, 177
constructing, owning, leasing, or operating municipal utilities 178
pursuant to the authority provided under section 715.02 of the 179
Revised Code or Section 4 of Article XVIII, Ohio Constitution. 180

For purposes of division (G) of this section, "subdivision" 181
includes a county. 182

(H) The use of leverage, in which the treasurer or governing 183
board uses its current investment assets as collateral for the 184
purpose of purchasing other assets, is prohibited. The issuance of 185
taxable notes for the purpose of arbitrage is prohibited. 186
Contracting to sell securities that have not yet been acquired by 187
the treasurer or governing board, for the purpose of purchasing 188
such securities on the speculation that bond prices will decline, 189
is prohibited. 190

(I) Whenever, during a period of designation, the treasurer 191
classifies public moneys as interim moneys, the treasurer shall 192
notify the governing board of such action. The notification shall 193
be given within thirty days after such classification and in the 194
event the governing board does not concur in such classification 195
or in the investments or deposits made under this section, the 196
governing board may order the treasurer to sell or liquidate any 197
of such investments or deposits, and any such order shall 198
specifically describe the investments or deposits and fix the date 199
upon which they are to be sold or liquidated. Investments or 200
deposits so ordered to be sold or liquidated shall be sold or 201
liquidated for cash by the treasurer on the date fixed in such 202
order at the then current market price. Neither the treasurer nor 203
the members of the board shall be held accountable for any loss 204
occasioned by sales or liquidations of investments or deposits at 205
prices lower than their cost. Any loss or expense incurred in 206

making such sales or liquidations is payable as other expenses of 207
the treasurer's office. 208

(J) If any investments or deposits purchased under the 209
authority of this section are issuable to a designated payee or to 210
the order of a designated payee, the name of the treasurer and the 211
title of the treasurer's office shall be so designated. If any 212
such securities are registrable either as to principal or 213
interest, or both, then such securities shall be registered in the 214
name of the treasurer as such. 215

(K) The treasurer is responsible for the safekeeping of all 216
documents evidencing a deposit or investment acquired by the 217
treasurer under this section. Any securities may be deposited for 218
safekeeping with a qualified trustee as provided in section 135.18 219
of the Revised Code, except the delivery of securities acquired 220
under any repurchase agreement under this section shall be made to 221
a qualified trustee, provided, however, that the qualified trustee 222
shall be required to report to the treasurer, governing board, 223
auditor of state, or an authorized outside auditor at any time 224
upon request as to the identity, market value, and location of the 225
document evidencing each security, and that if the participating 226
institution is a designated depository of the subdivision for the 227
current period of designation, the securities that are the subject 228
of the repurchase agreement may be delivered to the treasurer or 229
held in trust by the participating institution on behalf of the 230
subdivision. Interest earned on any investments or deposits 231
authorized by this section shall be collected by the treasurer and 232
credited by the treasurer to the proper fund of the subdivision. 233

Upon the expiration of the term of office of a treasurer or 234
in the event of a vacancy in the office of treasurer by reason of 235
death, resignation, removal from office, or otherwise, the 236
treasurer or the treasurer's legal representative shall transfer 237
and deliver to the treasurer's successor all documents evidencing 238

a deposit or investment held by the treasurer. For the investments 239
and deposits so transferred and delivered, such treasurer shall be 240
credited with and the treasurer's successor shall be charged with 241
the amount of money held in such investments and deposits. 242

(L) Whenever investments or deposits acquired under this 243
section mature and become due and payable, the treasurer shall 244
present them for payment according to their tenor, and shall 245
collect the moneys payable thereon. The moneys so collected shall 246
be treated as public moneys subject to sections 135.01 to 135.21 247
of the Revised Code. 248

(M)(1) All investments, except for investments in securities 249
described in divisions (B)(5) and (6) of this section and for 250
investments by a municipal corporation in the issues of such 251
municipal corporation, shall be made only through a member of the 252
~~national association of securities dealers~~ financial industry 253
regulatory authority (FINRA), through a bank, savings bank, or 254
savings and loan association regulated by the superintendent of 255
financial institutions, or through an institution regulated by the 256
comptroller of the currency, federal deposit insurance 257
corporation, or board of governors of the federal reserve system. 258

(2) Payment for investments shall be made only upon the 259
delivery of securities representing such investments to the 260
treasurer, governing board, or qualified trustee. If the 261
securities transferred are not represented by a certificate, 262
payment shall be made only upon receipt of confirmation of 263
transfer from the custodian by the treasurer, governing board, or 264
qualified trustee. 265

(N) In making investments authorized by this section, a 266
treasurer or governing board may retain the services of an 267
investment advisor, provided the advisor is licensed by the 268
division of securities under section 1707.141 of the Revised Code 269
or is registered with the securities and exchange commission, and 270

possesses experience in public funds investment management, 271
specifically in the area of state and local government investment 272
portfolios, or the advisor is an eligible institution mentioned in 273
section 135.03 of the Revised Code. 274

(O)(1) Except as otherwise provided in divisions (O)(2) and 275
(3) of this section, no treasurer or governing board shall make an 276
investment or deposit under this section, unless there is on file 277
with the auditor of state a written investment policy approved by 278
the treasurer or governing board. The policy shall require that 279
all entities conducting investment business with the treasurer or 280
governing board shall sign the investment policy of that 281
subdivision. All brokers, dealers, and financial institutions, 282
described in division (M)(1) of this section, initiating 283
transactions with the treasurer or governing board by giving 284
advice or making investment recommendations shall sign the 285
treasurer's or governing board's investment policy thereby 286
acknowledging their agreement to abide by the policy's contents. 287
All brokers, dealers, and financial institutions, described in 288
division (M)(1) of this section, executing transactions initiated 289
by the treasurer or governing board, having read the policy's 290
contents, shall sign the investment policy thereby acknowledging 291
their comprehension and receipt. 292

(2) If a written investment policy described in division 293
(O)(1) of this section is not filed on behalf of the subdivision 294
with the auditor of state, the treasurer or governing board of 295
that subdivision shall invest the subdivision's interim moneys 296
only in interim deposits pursuant to division (B)(3) of this 297
section or interim deposits pursuant to section 135.145 of the 298
Revised Code and approved by the treasurer of state, no-load money 299
market mutual funds pursuant to division (B)(5) of this section, 300
or the Ohio subdivision's fund pursuant to division (B)(6) of this 301
section. 302

(3) Divisions (O)(1) and (2) of this section do not apply to a treasurer or governing board of a subdivision whose average annual portfolio of investments held pursuant to this section is one hundred thousand dollars or less, provided that the treasurer or governing board certifies, on a form prescribed by the auditor of state, that the treasurer or governing board will comply and is in compliance with the provisions of sections 135.01 to 135.21 of the Revised Code.

(P) A treasurer or governing board may enter into a written investment or deposit agreement that includes a provision under which the parties agree to submit to nonbinding arbitration to settle any controversy that may arise out of the agreement, including any controversy pertaining to losses of public moneys resulting from investment or deposit. The arbitration provision shall be set forth entirely in the agreement, and the agreement shall include a conspicuous notice to the parties that any party to the arbitration may apply to the court of common pleas of the county in which the arbitration was held for an order to vacate, modify, or correct the award. Any such party may also apply to the court for an order to change venue to a court of common pleas located more than one hundred miles from the county in which the treasurer or governing board is located.

For purposes of this division, "investment or deposit agreement" means any agreement between a treasurer or governing board and a person, under which agreement the person agrees to invest, deposit, or otherwise manage a subdivision's interim moneys on behalf of the treasurer or governing board, or agrees to provide investment advice to the treasurer or governing board.

(Q) An investment made by the treasurer or governing board pursuant to this section prior to September 27, 1996, that was a legal investment under the law as it existed before September 27, 1996, may be held until maturity, ~~or if the investment does not~~

~~have a maturity date, it may be held until five years from 335
September 27, 1996, regardless of whether the investment would 336
qualify as a legal investment under the terms of this section as 337
amended. 338~~

Sec. 135.142. (A) In addition to the investments authorized 339
by section 135.14 of the Revised Code, any board of education, by 340
a two-thirds vote of its members, may authorize the treasurer of 341
the board of education to invest up to ~~twenty five~~ forty per cent 342
of the interim moneys of the board, available for investment at 343
any one time, in either of the following: 344

(1) Commercial paper notes issued by any entity that is 345
defined in division (D) of section 1705.01 of the Revised Code and 346
has assets exceeding five hundred million dollars, and to which 347
notes all of the following apply: 348

(a) The notes are rated at the time of purchase in the 349
highest classification established by at least two nationally 350
recognized standard rating services; 351

(b) The aggregate value of the notes does not exceed ten per 352
cent of the aggregate value of the outstanding commercial paper of 353
the issuing corporation; 354

(c) The notes mature no later than ~~one two hundred eighty~~ 355
seventy days after purchase; 356

(d) The investment in commercial paper notes of a single 357
issuer shall not exceed in the aggregate five per cent of interim 358
moneys of the board available for investment at the time of 359
purchase. 360

(2) Bankers' acceptances of banks that are members of the 361
federal deposit insurance corporation to which obligations both of 362
the following apply: 363

(a) The obligations are eligible for purchase by the federal 364

reserve system; 365

(b) The obligations mature no later than one hundred eighty 366
days after purchase. 367

(B) No investment authorized pursuant to division (A) of this 368
section shall be made, whether or not authorized by a board of 369
education, unless the treasurer of the board of education has 370
completed additional training for making the types of investments 371
authorized pursuant to division (A) of this section. The type and 372
amount of such training shall be approved and may be conducted by 373
or provided under the supervision of the ~~auditor~~ treasurer of 374
state. 375

(C) The treasurer of the board of education shall prepare 376
annually and submit to the board of education, the superintendent 377
of public instruction, and the auditor of state, on or before the 378
thirty-first day of August, a report listing each investment made 379
pursuant to division (A) of this section during the preceding 380
fiscal year, income earned from such investments, fees and 381
commissions paid pursuant to division (D) of this section, and any 382
other information required by the board, the superintendent, and 383
the auditor of state. 384

(D) A board of education may make appropriations and 385
expenditures for fees and commissions in connection with 386
investments made pursuant to division (A) of this section. 387

(E)(1) In addition to the investments authorized by section 388
135.14 of the Revised Code and division (A) of this section, any 389
board of education that is a party to an agreement with the 390
treasurer of state pursuant to division (G) of section 135.143 of 391
the Revised Code and that has outstanding obligations issued under 392
authority of section 133.10 or 133.301 of the Revised Code may 393
authorize the treasurer of the board of education to invest 394
interim moneys of the board in debt interests rated in either of 395

the two highest rating classifications by at least two nationally 396
recognized standard rating ~~agencies~~ services and issued by 397
entities that are defined in division (D) of section 1705.01 of 398
the Revised Code. The debt interests purchased under authority of 399
division (E) of this section shall mature not later than the 400
latest maturity date of the outstanding obligations issued under 401
authority of section 133.10 or 133.301 of the Revised Code. 402

(2) If any of the debt interests acquired under division 403
(E)(1) of this section ceases to be rated as there required, its 404
issuer shall notify the treasurer of state of this fact within 405
twenty-four hours. At any time thereafter the treasurer of state 406
may require collateralization at the rate of one hundred two per 407
cent of any remaining obligation of the entity, with securities 408
authorized for investment under section 135.143 of the Revised 409
Code. The collateral shall be delivered to and held by a custodian 410
acceptable to the treasurer of state, marked to market daily, and 411
any default to be cured within twelve hours. Unlimited 412
substitution shall be allowed of comparable securities. 413

Sec. 135.143. (A) The treasurer of state may invest or 414
execute transactions for any part or all of the interim funds of 415
the state in the following classifications of obligations: 416

(1) United States treasury bills, notes, bonds, or any other 417
obligations or securities issued by the United States treasury or 418
any other obligation guaranteed as to principal and interest by 419
the United States; 420

(2) Bonds, notes, debentures, or any other obligations or 421
securities issued by any federal government agency or 422
instrumentality; 423

(3)(a) Bonds, notes, and other direct obligations of the 424
state of Ohio, including, but not limited to, any obligations 425
issued by the treasurer of state ~~and of,~~ the Ohio public 426

facilities commission, the Ohio building authority, ~~and~~ the Ohio 427
housing finance agency, the Ohio water development authority, and 428
the Ohio turnpike infrastructure commission; 429

(b) Bonds, notes, and other obligations of any state or 430
political subdivision thereof rated in the three highest 431
categories by at least one nationally recognized standard rating 432
service and purchased through a registered securities broker or 433
dealer, provided the treasurer of state is not the sole purchaser 434
of the bonds, notes, or other obligations at original issuance. 435

(4)(a) Written repurchase agreements with any eligible Ohio 436
financial institution that is a member of the federal reserve 437
system or federal home loan bank, ~~or any recognized~~ registered 438
United States government securities dealer, under the terms of 439
which agreement the treasurer of state purchases and the eligible 440
financial institution or dealer agrees unconditionally to 441
repurchase any of the securities that are listed in division 442
(A)(1), (2), or (6) of this section and that will mature or are 443
redeemable within ten years from the date of purchase. The market 444
value of securities subject to these transactions must exceed the 445
principal value of the repurchase agreement by an amount specified 446
by the treasurer of state, and the securities must be delivered 447
into the custody of the treasurer of state or the qualified 448
trustee or agent designated by the treasurer of state. The 449
agreement shall contain the requirement that for each transaction 450
pursuant to the agreement, the participating institution or dealer 451
shall provide all of the following information: 452

(i) The par value of the securities; 453

(ii) The type, rate, and maturity date of the securities; 454

(iii) A numerical identifier generally accepted in the 455
securities industry that designates the securities. 456

(b) The treasurer of state also may sell any securities, 457

listed in division (A)(1), (2), or (6) of this section, regardless 458
of maturity or time of redemption of the securities, under the 459
same terms and conditions for repurchase, provided that the 460
securities have been fully paid for and are owned by the treasurer 461
of state at the time of the sale. 462

(5) Securities lending agreements with any eligible financial 463
institution that is a member of the federal reserve system or 464
federal home loan bank or any recognized United States government 465
securities dealer, under the terms of which agreements the 466
treasurer of state lends securities and the eligible financial 467
institution or dealer agrees to simultaneously exchange similar 468
securities or cash, equal value for equal value. 469

Securities and cash received as collateral for a securities 470
lending agreement are not interim funds of the state. The 471
investment of cash collateral received pursuant to a securities 472
lending agreement may be invested only in such instruments 473
specified by the treasurer of state in accordance with a written 474
investment policy. 475

(6) Various forms of commercial paper issued by any 476
~~corporation~~ entity that is ~~incorporated~~ organized under the laws 477
of the United States or a state, which notes are rated ~~at the time~~ 478
~~of purchase~~ in the two highest categories by two nationally 479
recognized standard rating ~~agencies~~ services, provided that the 480
total amount invested under this section in any commercial paper 481
at any time shall not exceed ~~twenty-five~~ forty per cent of the 482
state's total average portfolio, as determined and calculated by 483
the treasurer of state; 484

(7) Bankers acceptances, maturing in two hundred seventy days 485
or less, ~~which are eligible for purchase by the federal reserve~~ 486
~~system~~, provided that the total amount invested in bankers 487
acceptances at any time shall not exceed ten per cent of the 488
state's total average portfolio, as determined and calculated by 489

the treasurer of state; 490

(8) Certificates of deposit in eligible institutions applying 491
for interim moneys as provided in section 135.08 of the Revised 492
Code, including linked deposits as provided in sections 135.61 to 493
135.67 of the Revised Code, agricultural linked deposits as 494
provided in sections 135.71 to 135.76 of the Revised Code, and 495
housing linked deposits as provided in sections 135.81 to 135.87 496
of the Revised Code; 497

(9) The state treasurer's investment pool authorized under 498
section 135.45 of the Revised Code; 499

(10) Debt interests, other than commercial paper described in 500
division (A)(6) of this section, rated ~~at the time of purchase~~ in 501
the three highest categories by two nationally recognized standard 502
~~rating agencies services~~ and issued by ~~corporations~~ entities that 503
are ~~incorporated~~ organized under the laws of the United States or 504
a state, or issued by foreign nations diplomatically recognized by 505
the United States government, or any instrument based on, derived 506
from, or related to such interests, provided that: 507

(a) The investments in debt interests other than commercial 508
paper shall not exceed in the aggregate twenty-five per cent of 509
the state's portfolio~~+~~. 510

(b) The investments in debt interests issued by foreign 511
nations shall not exceed in the aggregate one per cent of the 512
state's portfolio~~+~~. 513

The treasurer of state shall invest under division (A)(10) of 514
this section in a debt interest issued by a foreign nation only if 515
the debt interest is backed by the full faith and credit of that 516
foreign nation, and provided that all interest and principal shall 517
be denominated and payable in United States funds. 518

(c) ~~The~~ When added to the investment in commercial paper, the 519
investments in the debt interests of a single issuer shall not 520

exceed in the aggregate ~~one half of one~~ five per cent of the 521
state's portfolio, ~~except that debt interests of a single issuer~~ 522
~~that is a foreign nation shall not exceed in the aggregate one per~~ 523
~~cent of the state's portfolio.~~ 524

~~The treasurer of state shall invest under division (A)(10) of~~ 525
~~this section in a debt interest issued by a foreign nation only if~~ 526
~~the debt interest is backed by the full faith and credit of that~~ 527
~~foreign nation, and provided that all interest and principal shall~~ 528
~~be denominated and payable in United States funds.~~ 529

(d) For purposes of division (A)(10) of this section, a debt 530
interest is rated in the three highest categories by two 531
nationally recognized standard rating ~~agencies~~ services if either 532
the debt interest itself or the issuer of the debt interest is 533
rated, or is implicitly rated, ~~at the time of purchase~~ in the 534
three highest categories by two nationally recognized standard 535
rating ~~agencies~~ services. 536

(e) For purposes of division (A)(10) of this section, the 537
"state's portfolio" means the state's total average portfolio, as 538
determined and calculated by the treasurer of state. 539

(11) No-load money market mutual funds rated in the highest 540
category by one nationally recognized standard rating service or 541
consisting exclusively of obligations described in division 542
(A)(1), (2), or (6) of this section and repurchase agreements 543
secured by such obligations. 544

(12) Obligations of a political subdivision issued under 545
Chapter 133. of the Revised Code and identified in an agreement 546
described in division (G) of this section. 547

(B) Whenever, during a period of designation, the treasurer 548
of state classifies public moneys as interim moneys, the treasurer 549
of state shall notify the state board of deposit of such action. 550
The notification shall be given within thirty days after such 551

classification and, in the event the state board of deposit does 552
not concur in such classification or in the investments or 553
deposits made under this section, the board may order the 554
treasurer of state to sell or liquidate any of the investments or 555
deposits, and any such order shall specifically describe the 556
investments or deposits and fix the date upon which they are to be 557
sold or liquidated. Investments or deposits so ordered to be sold 558
or liquidated shall be sold or liquidated for cash by the 559
treasurer of state on the date fixed in such order at the then 560
current market price. Neither the treasurer of state nor the 561
members of the state board of deposit shall be held accountable 562
for any loss occasioned by sales or liquidations of investments or 563
deposits at prices lower than their cost. Any loss or expense 564
incurred in making these sales or liquidations is payable as other 565
expenses of the treasurer's office. 566

(C) If any securities or obligations invested in by the 567
treasurer of state pursuant to this section are registrable either 568
as to principal or interest, or both, such securities or 569
obligations shall be registered in the name of the treasurer of 570
state. 571

(D) The treasurer of state is responsible for the safekeeping 572
of all securities or obligations under this section. Any such 573
securities or obligations may be deposited for safekeeping as 574
provided in section 113.05 of the Revised Code. 575

(E) Interest earned on any investments or deposits authorized 576
by this section shall be collected by the treasurer of state and 577
credited by the treasurer of state to the proper fund of the 578
state. 579

(F) Whenever investments or deposits acquired under this 580
section mature and become due and payable, the treasurer of state 581
shall present them for payment according to their tenor, and shall 582
collect the moneys payable thereon. The moneys so collected shall 583

be treated as public moneys subject to sections 135.01 to 135.21 584
of the Revised Code. 585

(G) The treasurer of state and any political subdivision 586
issuing obligations referred to in division (A)(12) of this 587
section, which obligations mature within one year from the 588
original date of issuance, may enter into an agreement providing 589
for: 590

(1) The purchase of those obligations by the treasurer of 591
state on terms and subject to conditions set forth in the 592
agreement; 593

(2) The payment by the political subdivision to the treasurer 594
of state of a reasonable fee as consideration for the agreement of 595
the treasurer of state to purchase those obligations; provided, 596
however, that the treasurer of state shall not be authorized to 597
enter into any such agreement with a board of education of a 598
school district that has an outstanding obligation with respect to 599
a loan received under authority of section 3313.483 of the Revised 600
Code. 601

(H) For purposes of division (G) of this section, a fee shall 602
not be considered reasonable unless it is set to recover only the 603
direct costs, a reasonable estimate of the indirect costs 604
associated with the purchasing of obligations of a political 605
subdivision under division (G) of this section and any reselling 606
of the obligations or any interest in the obligations, including 607
interests in a fund comprised of the obligations, and the 608
administration thereof. No money from the general revenue fund 609
shall be used to subsidize the purchase or resale of these 610
obligations. 611

(I) All money collected by the treasurer of state from the 612
fee imposed by division (G) of this section shall be deposited to 613
the credit of the state political subdivision obligations fund, 614

which is hereby created in the state treasury. Money credited to 615
the fund shall be used solely to pay the treasurer of state's 616
direct and indirect costs associated with purchasing and reselling 617
obligations of a political subdivision under division (G) of this 618
section. 619

(J) As used in this section, "political subdivision" means a 620
county, township, municipal corporation, or ~~board of education of~~ 621
a school district. 622

Sec. 135.35. (A) The investing authority shall deposit or 623
invest any part or all of the county's inactive moneys and shall 624
invest all of the money in the county public library fund when 625
required by section 135.352 of the Revised Code. The following 626
classifications of securities and obligations are eligible for 627
such deposit or investment: 628

(1) United States treasury bills, notes, bonds, or any other 629
obligation or security issued by the United States treasury, any 630
other obligation guaranteed as to principal or interest by the 631
United States, or any book entry, zero-coupon United States 632
treasury security that is a direct obligation of the United 633
States. 634

Nothing in the classification of eligible securities and 635
obligations set forth in divisions (A)(2) to ~~(11)~~(10) of this 636
section shall be construed to authorize any investment in stripped 637
principal or interest obligations of such eligible securities and 638
obligations. 639

(2) Bonds, notes, debentures, or any other obligations or 640
securities issued by any federal government agency or 641
instrumentality, including, but not limited to, the federal 642
national mortgage association, federal home loan bank, federal 643
farm credit bank, federal home loan mortgage corporation, and 644
government national mortgage association, ~~and student loan~~ 645

~~marketing association.~~ All federal agency securities shall be 646
direct issuances of federal government agencies or 647
instrumentalities. 648

(3) Time certificates of deposit or savings or deposit 649
accounts, including, but not limited to, passbook accounts, in any 650
eligible institution mentioned in section 135.32 of the Revised 651
Code; 652

(4) Bonds and other obligations of this state or the 653
political subdivisions of this state, provided the investment 654
authority is not the sole purchaser of the bonds or other 655
obligations at original issuance; 656

(5) No-load money market mutual funds rated in the highest 657
category at the time of purchase by at least one nationally 658
recognized standard rating service or consisting exclusively of 659
obligations described in division (A)(1) ~~or~~, (2), or (6) of ~~this~~ 660
section 135.143 of the Revised Code and repurchase agreements 661
secured by such obligations, provided that investments in 662
securities described in this division are made only through 663
eligible institutions mentioned in section 135.32 of the Revised 664
Code; 665

(6) The Ohio subdivision's fund as provided in section 135.45 666
of the Revised Code; 667

(7) Securities lending agreements with any eligible 668
institution mentioned in section 135.32 of the Revised Code that 669
is a member of the federal reserve system or federal home loan 670
bank or with any recognized United States government securities 671
dealer meeting the description in division (J)(1) of this section, 672
under the terms of which agreements the investing authority lends 673
securities and the eligible institution or dealer agrees to 674
simultaneously exchange similar securities or cash, equal value 675
for equal value. 676

Securities and cash received as collateral for a securities 677
lending agreement are not inactive moneys of the county or moneys 678
of a county public library fund. The investment of cash collateral 679
received pursuant to a securities lending agreement may be 680
invested only in instruments specified by the investing authority 681
in the written investment policy described in division (K) of this 682
section. 683

(8) Up to twenty-five per cent of the county's total average 684
portfolio in either of the following investments: 685

(a) Commercial paper notes issued by an entity that is 686
defined in division (D) of section 1705.01 of the Revised Code and 687
that has assets exceeding five hundred million dollars, to which 688
notes all of the following apply: 689

(i) The notes are rated at the time of purchase in the 690
highest classification established by at least two nationally 691
recognized standard rating services. 692

(ii) The aggregate value of the notes does not exceed ten per 693
cent of the aggregate value of the outstanding commercial paper of 694
the issuing corporation. 695

(iii) The notes mature not later than two hundred seventy 696
days after purchase. 697

(b) Bankers acceptances of banks that are insured by the 698
federal deposit insurance corporation and to which both of the 699
following apply: 700

(i) The obligations are eligible for purchase by the federal 701
reserve system. 702

(ii) The obligations mature not later than one hundred eighty 703
days after purchase. 704

No investment shall be made pursuant to division (A)(8) of 705
this section unless the investing authority has completed 706

additional training for making the investments authorized by 707
division (A)(8) of this section. The type and amount of additional 708
training shall be approved by the ~~auditor~~ treasurer of state and 709
may be conducted by or provided under the supervision of the 710
~~auditor~~ treasurer of state. 711

(9) Up to fifteen per cent of the county's total average 712
portfolio in notes issued by corporations that are incorporated 713
under the laws of the United States and that are operating within 714
the United States, or by depository institutions that are doing 715
business under authority granted by the United States or any state 716
and that are operating within the United States, provided both of 717
the following apply: 718

(a) The notes are rated in the second highest or higher 719
category by at least two nationally recognized standard rating 720
services at the time of purchase. 721

(b) The notes mature not later than two years after purchase. 722

~~(10) No-load money market mutual funds rated in the highest 723
category at the time of purchase by at least one nationally 724
recognized standard rating service and consisting exclusively of 725
obligations described in division (A)(1), (2), or (6) of section 726
135.143 of the Revised Code; 727~~

~~(11)~~ Debt interests rated at the time of purchase in the 728
three highest categories by two nationally recognized standard 729
rating services and issued by foreign nations diplomatically 730
recognized by the United States government. All interest and 731
principal shall be denominated and payable in United States funds. 732
The investments made under division (A)~~(11)~~(10) of this section 733
shall not exceed in the aggregate one per cent of a county's total 734
average portfolio. 735

The investing authority shall invest under division 736
(A)~~(11)~~(10) of this section in a debt interest issued by a foreign 737

nation only if the debt interest is backed by the full faith and 738
credit of that foreign nation, there is no prior history of 739
default, and the debt interest matures not later than five years 740
after purchase. For purposes of division (A)~~(11)~~(10) of this 741
section, a debt interest is rated in the three highest categories 742
by two nationally recognized standard rating services if either 743
the debt interest itself or the issuer of the debt interest is 744
rated, or is implicitly rated, at the time of purchase in the 745
three highest categories by two nationally recognized standard 746
rating services. 747

~~(12)~~(11) A current unpaid or delinquent tax line of credit 748
authorized under division (G) of section 135.341 of the Revised 749
Code, provided that all of the conditions for entering into such a 750
line of credit under that division are satisfied, or bonds and 751
other obligations of a county land reutilization corporation 752
organized under Chapter 1724. of the Revised Code, if the county 753
land reutilization corporation is located wholly or partly within 754
the same county as the investing authority. 755

(B) Nothing in the classifications of eligible obligations 756
and securities set forth in divisions (A)(1) to ~~(11)~~(10) of this 757
section shall be construed to authorize investment in a 758
derivative, and no investing authority shall invest any county 759
inactive moneys or any moneys in a county public library fund in a 760
derivative. For purposes of this division, "derivative" means a 761
financial instrument or contract or obligation whose value or 762
return is based upon or linked to another asset or index, or both, 763
separate from the financial instrument, contract, or obligation 764
itself. Any security, obligation, trust account, or other 765
instrument that is created from an issue of the United States 766
treasury or is created from an obligation of a federal agency or 767
instrumentality or is created from both is considered a derivative 768
instrument. An eligible investment described in this section with 769

a variable interest rate payment, based upon a single interest 770
payment or single index comprised of other eligible investments 771
provided for in division (A)(1) or (2) of this section, is not a 772
derivative, provided that such variable rate investment has a 773
maximum maturity of two years. A treasury inflation-protected 774
security shall not be considered a derivative, provided the 775
security matures not later than five years after purchase. 776

(C) Except as provided in division (D) of this section, any 777
investment made pursuant to this section must mature within five 778
years from the date of settlement, unless the investment is 779
matched to a specific obligation or debt of the county or to a 780
specific obligation or debt of a political subdivision of this 781
state, and the investment is specifically approved by the 782
investment advisory committee. 783

(D) The investing authority may also enter into a written 784
repurchase agreement with any eligible institution mentioned in 785
section 135.32 of the Revised Code or any eligible securities 786
dealer pursuant to division (J) of this section, under the terms 787
of which agreement the investing authority purchases and the 788
eligible institution or dealer agrees unconditionally to 789
repurchase any of the securities listed in divisions (B)(1) to 790
(5), except letters of credit described in division (B)(2), of 791
section 135.18 of the Revised Code. The market value of securities 792
subject to an overnight written repurchase agreement must exceed 793
the principal value of the overnight written repurchase agreement 794
by at least two per cent. A written repurchase agreement must 795
exceed the principal value of the overnight written repurchase 796
agreement, by at least two per cent. A written repurchase 797
agreement shall not exceed thirty days, and the market value of 798
securities subject to a written repurchase agreement must exceed 799
the principal value of the written repurchase agreement by at 800
least two per cent and be marked to market daily. All securities 801

purchased pursuant to this division shall be delivered into the 802
custody of the investing authority or the qualified custodian of 803
the investing authority or an agent designated by the investing 804
authority. A written repurchase agreement with an eligible 805
securities dealer shall be transacted on a delivery versus payment 806
basis. The agreement shall contain the requirement that for each 807
transaction pursuant to the agreement the participating 808
institution shall provide all of the following information: 809

(1) The par value of the securities; 810

(2) The type, rate, and maturity date of the securities; 811

(3) A numerical identifier generally accepted in the 812
securities industry that designates the securities. 813

No investing authority shall enter into a written repurchase 814
agreement under the terms of which the investing authority agrees 815
to sell securities owned by the county to a purchaser and agrees 816
with that purchaser to unconditionally repurchase those 817
securities. 818

(E) No investing authority shall make an investment under 819
this section, unless the investing authority, at the time of 820
making the investment, reasonably expects that the investment can 821
be held until its maturity. The investing authority's written 822
investment policy shall specify the conditions under which an 823
investment may be redeemed or sold prior to maturity. 824

(F) No investing authority shall pay a county's inactive 825
moneys or moneys of a county public library fund into a fund 826
established by another subdivision, treasurer, governing board, or 827
investing authority, if that fund was established by the 828
subdivision, treasurer, governing board, or investing authority 829
for the purpose of investing or depositing the public moneys of 830
other subdivisions. This division does not apply to the payment of 831
public moneys into either of the following: 832

(1) The Ohio subdivision's fund pursuant to division (A)(6) 833
of this section; 834

(2) A fund created solely for the purpose of acquiring, 835
constructing, owning, leasing, or operating municipal utilities 836
pursuant to the authority provided under section 715.02 of the 837
Revised Code or Section 4 of Article XVIII, Ohio Constitution. 838

For purposes of division (F) of this section, "subdivision" 839
includes a county. 840

(G) The use of leverage, in which the county uses its current 841
investment assets as collateral for the purpose of purchasing 842
other assets, is prohibited. The issuance of taxable notes for the 843
purpose of arbitrage is prohibited. Contracting to sell securities 844
not owned by the county, for the purpose of purchasing such 845
securities on the speculation that bond prices will decline, is 846
prohibited. 847

(H) Any securities, certificates of deposit, deposit 848
accounts, or any other documents evidencing deposits or 849
investments made under authority of this section shall be issued 850
in the name of the county with the county treasurer or investing 851
authority as the designated payee. If any such deposits or 852
investments are registrable either as to principal or interest, or 853
both, they shall be registered in the name of the treasurer. 854

(I) The investing authority shall be responsible for the 855
safekeeping of all documents evidencing a deposit or investment 856
acquired under this section, including, but not limited to, 857
safekeeping receipts evidencing securities deposited with a 858
qualified trustee, as provided in section 135.37 of the Revised 859
Code, and documents confirming the purchase of securities under 860
any repurchase agreement under this section shall be deposited 861
with a qualified trustee, provided, however, that the qualified 862
trustee shall be required to report to the investing authority, 863

auditor of state, or an authorized outside auditor at any time 864
upon request as to the identity, market value, and location of the 865
document evidencing each security, and that if the participating 866
institution is a designated depository of the county for the 867
current period of designation, the securities that are the subject 868
of the repurchase agreement may be delivered to the treasurer or 869
held in trust by the participating institution on behalf of the 870
investing authority. 871

Upon the expiration of the term of office of an investing 872
authority or in the event of a vacancy in the office for any 873
reason, the officer or the officer's legal representative shall 874
transfer and deliver to the officer's successor all documents 875
mentioned in this division for which the officer has been 876
responsible for safekeeping. For all such documents transferred 877
and delivered, the officer shall be credited with, and the 878
officer's successor shall be charged with, the amount of moneys 879
evidenced by such documents. 880

(J)(1) All investments, except for investments in securities 881
described in divisions (A)(5), (6), and ~~(12)~~(11) of this section, 882
shall be made only through a member of the ~~national association of~~ 883
~~securities dealers~~ financial industry regulatory authority 884
(FINRA), through a bank, savings bank, or savings and loan 885
association regulated by the superintendent of financial 886
institutions, or through an institution regulated by the 887
comptroller of the currency, federal deposit insurance 888
corporation, or board of governors of the federal reserve system. 889

(2) Payment for investments shall be made only upon the 890
delivery of securities representing such investments to the 891
treasurer, investing authority, or qualified trustee. If the 892
securities transferred are not represented by a certificate, 893
payment shall be made only upon receipt of confirmation of 894
transfer from the custodian by the treasurer, governing board, or 895

qualified trustee. 896

(K)(1) Except as otherwise provided in division (K)(2) of 897
this section, no investing authority shall make an investment or 898
deposit under this section, unless there is on file with the 899
auditor of state a written investment policy approved by the 900
investing authority. The policy shall require that all entities 901
conducting investment business with the investing authority shall 902
sign the investment policy of that investing authority. All 903
brokers, dealers, and financial institutions, described in 904
division (J)(1) of this section, initiating transactions with the 905
investing authority by giving advice or making investment 906
recommendations shall sign the investing authority's investment 907
policy thereby acknowledging their agreement to abide by the 908
policy's contents. All brokers, dealers, and financial 909
institutions, described in division (J)(1) of this section, 910
executing transactions initiated by the investing authority, 911
having read the policy's contents, shall sign the investment 912
policy thereby acknowledging their comprehension and receipt. 913

(2) If a written investment policy described in division 914
(K)(1) of this section is not filed on behalf of the county with 915
the auditor of state, the investing authority of that county shall 916
invest the county's inactive moneys and moneys of the county 917
public library fund only in time certificates of deposits or 918
savings or deposit accounts pursuant to division (A)(3) of this 919
section, no-load money market mutual funds pursuant to division 920
(A)(5) of this section, or the Ohio subdivision's fund pursuant to 921
division (A)(6) of this section. 922

(L)(1) The investing authority shall establish and maintain 923
an inventory of all obligations and securities acquired by the 924
investing authority pursuant to this section. The inventory shall 925
include a description of each obligation or security, including 926
type, cost, par value, maturity date, settlement date, and any 927

coupon rate. 928

(2) The investing authority shall also keep a complete record 929
of all purchases and sales of the obligations and securities made 930
pursuant to this section. 931

(3) The investing authority shall maintain a monthly 932
portfolio report and issue a copy of the monthly portfolio report 933
describing such investments to the county investment advisory 934
committee, detailing the current inventory of all obligations and 935
securities, all transactions during the month that affected the 936
inventory, any income received from the obligations and 937
securities, and any investment expenses paid, and stating the 938
names of any persons effecting transactions on behalf of the 939
investing authority. 940

(4) The monthly portfolio report shall be a public record and 941
available for inspection under section 149.43 of the Revised Code. 942

(5) The inventory and the monthly portfolio report shall be 943
filed with the board of county commissioners. The monthly 944
portfolio report also shall be filed with the treasurer of state. 945

(M) An investing authority may enter into a written 946
investment or deposit agreement that includes a provision under 947
which the parties agree to submit to nonbinding arbitration to 948
settle any controversy that may arise out of the agreement, 949
including any controversy pertaining to losses of public moneys 950
resulting from investment or deposit. The arbitration provision 951
shall be set forth entirely in the agreement, and the agreement 952
shall include a conspicuous notice to the parties that any party 953
to the arbitration may apply to the court of common pleas of the 954
county in which the arbitration was held for an order to vacate, 955
modify, or correct the award. Any such party may also apply to the 956
court for an order to change venue to a court of common pleas 957
located more than one hundred miles from the county in which the 958

investing authority is located. 959

For purposes of this division, "investment or deposit 960
agreement" means any agreement between an investing authority and 961
a person, under which agreement the person agrees to invest, 962
deposit, or otherwise manage, on behalf of the investing 963
authority, a county's inactive moneys or moneys in a county public 964
library fund, or agrees to provide investment advice to the 965
investing authority. 966

(N)(1) An investment held in the county portfolio on 967
September 27, 1996, that was a legal investment under the law as 968
it existed before September 27, 1996, may be held until maturity, 969
~~or if the investment does not have a maturity date the investment~~ 970
~~may be held until five years from September 27, 1996, regardless~~ 971
~~of whether the investment would qualify as a legal investment~~ 972
~~under the terms of this section as amended.~~ 973

(2) An investment held in the county portfolio on ~~the~~ 974
~~effective date of this amendment~~ September 10, 2012, that was a 975
legal investment under the law as it existed before ~~the effective~~ 976
~~date of this amendment~~ September 10, 2012, may be held until 977
maturity. 978

Sec. 135.48. The state board of deposit may adopt rules under 979
section 111.15 of the Revised Code that are necessary to implement 980
this chapter. 981

Sec. 3770.06. (A) There is hereby created the state lottery 982
gross revenue fund, which shall be in the custody of the treasurer 983
of state but shall not be part of the state treasury. All gross 984
revenues received from sales of lottery tickets, fines, fees, and 985
related proceeds in connection with the statewide lottery and all 986
gross proceeds from statewide joint lottery games shall be 987
deposited into the fund. The treasurer of state shall invest any 988

portion of the fund not needed for immediate use in the same 989
manner as, and subject to all provisions of law with respect to 990
the investment of, state funds. The treasurer of state shall 991
disburse money from the fund on order of the director of the state 992
lottery commission or the director's designee. 993

Except for gross proceeds from statewide joint lottery games, 994
all revenues of the state lottery gross revenue fund that are not 995
paid to holders of winning lottery tickets, that are not required 996
to meet short-term prize liabilities, that are not credited to 997
lottery sales agents in the form of bonuses, commissions, or 998
reimbursements, that are not paid to financial institutions to 999
reimburse those institutions for sales agent nonsufficient funds, 1000
and that are collected from sales agents for remittance to 1001
insurers under contract to provide sales agent bonding services 1002
shall be transferred to the state lottery fund, which is hereby 1003
created in the state treasury. In addition, all revenues of the 1004
state lottery gross revenue fund that represent the gross proceeds 1005
from the statewide joint lottery games and that are not paid to 1006
holders of winning lottery tickets, that are not required to meet 1007
short-term prize liabilities, that are not credited to lottery 1008
sales agents in the form of bonuses, commissions, or 1009
reimbursements, and that are not necessary to cover operating 1010
expenses associated with those games or to otherwise comply with 1011
the agreements signed by the governor that the director enters 1012
into under division (J) of section 3770.02 of the Revised Code or 1013
the rules the commission adopts under division (B)(5) of section 1014
3770.03 of the Revised Code shall be transferred to the state 1015
lottery fund. All investment earnings of the fund shall be 1016
credited to the fund. Moneys shall be disbursed from the fund 1017
pursuant to vouchers approved by the director. Total disbursements 1018
for monetary prize awards to holders of winning lottery tickets in 1019
connection with the statewide lottery and purchases of goods and 1020
services awarded as prizes to holders of winning lottery tickets 1021

shall be of an amount equal to at least fifty per cent of the 1022
total revenue accruing from the sale of lottery tickets. 1023

(B) Pursuant to Section 6 of Article XV, Ohio Constitution, 1024
there is hereby established in the state treasury the lottery 1025
profits education fund. Whenever, in the judgment of the director 1026
of the state lottery commission, the amount to the credit of the 1027
state lottery fund that does not represent proceeds from statewide 1028
joint lottery games is in excess of that needed to meet the 1029
maturing obligations of the commission and as working capital for 1030
its further operations, the director of the state lottery 1031
commission shall recommend the amount of the excess to be 1032
transferred to the lottery profits education fund, and the 1033
director of budget and management may transfer the excess to the 1034
lottery profits education fund in connection with the statewide 1035
lottery. In addition, whenever, in the judgment of the director of 1036
the state lottery commission, the amount to the credit of the 1037
state lottery fund that represents proceeds from statewide joint 1038
lottery games equals the entire net proceeds of those games as 1039
described in division (B)(5) of section 3770.03 of the Revised 1040
Code and the rules adopted under that division, the director of 1041
the state lottery commission shall recommend the amount of the 1042
proceeds to be transferred to the lottery profits education fund, 1043
and the director of budget and management may transfer those 1044
proceeds to the lottery profits education fund. Investment 1045
earnings of the lottery profits education fund shall be credited 1046
to the fund. 1047

The lottery profits education fund shall be used solely for 1048
the support of elementary, secondary, vocational, and special 1049
education programs as determined in appropriations made by the 1050
general assembly, or as provided in applicable bond proceedings 1051
for the payment of debt service on obligations issued to pay costs 1052
of capital facilities, including those for a system of common 1053

schools throughout the state pursuant to section 2n of Article 1054
VIII, Ohio Constitution. When determining the availability of 1055
money in the lottery profits education fund, the director of 1056
budget and management may consider all balances and estimated 1057
revenues of the fund. 1058

(C) There is hereby established in the state treasury the 1059
deferred prizes trust fund. With the approval of the director of 1060
budget and management, an amount sufficient to fund annuity prizes 1061
shall be transferred from the state lottery fund and credited to 1062
the trust fund. The treasurer of state shall credit all earnings 1063
arising from investments purchased under this division to the 1064
trust fund. Within sixty days after the end of each fiscal year, 1065
the treasurer of state shall certify to the director of budget and 1066
management whether the actuarial amount of the trust fund is 1067
sufficient over the fund's life for continued funding of all 1068
remaining deferred prize liabilities as of the last day of the 1069
fiscal year just ended. Also, within that sixty days, the director 1070
of budget and management shall certify the amount of investment 1071
earnings necessary to have been credited to the trust fund during 1072
the fiscal year just ending to provide for such continued funding 1073
of deferred prizes. Any earnings credited in excess of the latter 1074
certified amount shall be transferred to the lottery profits 1075
education fund. 1076

To provide all or a part of the amounts necessary to fund 1077
deferred prizes awarded by the commission in connection with the 1078
statewide lottery, the treasurer of state, in consultation with 1079
the commission, may invest moneys contained in the deferred prizes 1080
trust fund which represents proceeds from the statewide lottery in 1081
obligations of the type permitted for the investment of state 1082
funds but whose maturities are thirty years or less. 1083
Notwithstanding the requirements of any other section of the 1084
Revised Code, to provide all or part of the amounts necessary to 1085

fund deferred prizes awarded by the commission in connection with 1086
statewide joint lottery games, the treasurer of state, in 1087
consultation with the commission, may invest moneys in the trust 1088
fund which represent proceeds derived from the statewide joint 1089
lottery games in accordance with the rules the commission adopts 1090
under division (B)(5) of section 3770.03 of the Revised Code. 1091
Investments of the trust fund are not subject to the provisions of 1092
division (A)(10) of section 135.143 of the Revised Code limiting 1093
to twenty-five per cent the amount of the state's total average 1094
portfolio that may be invested in debt interests other than 1095
commercial paper and limiting to ~~one-half of one~~ five per cent the 1096
amount that may be invested in debt interests, including 1097
commercial paper, of a single issuer. 1098

All purchases made under this division shall be effected on a 1099
delivery versus payment method and shall be in the custody of the 1100
treasurer of state. 1101

The treasurer of state may retain an investment advisor, if 1102
necessary. The commission shall pay any costs incurred by the 1103
treasurer of state in retaining an investment advisor. 1104

(D) The auditor of state shall conduct annual audits of all 1105
funds and any other audits as the auditor of state or the general 1106
assembly considers necessary. The auditor of state may examine all 1107
records, files, and other documents of the commission, and records 1108
of lottery sales agents that pertain to their activities as 1109
agents, for purposes of conducting authorized audits. 1110

(E) The state lottery commission shall establish an internal 1111
audit plan before the beginning of each fiscal year, subject to 1112
the approval of the office of internal audit in the office of 1113
budget and management. At the end of each fiscal year, the 1114
commission shall prepare and submit an annual report to the office 1115
of internal audit for the office's review and approval, specifying 1116
the internal audit work completed by the end of that fiscal year 1117

and reporting on compliance with the annual internal audit plan. 1118

(F) Whenever, in the judgment of the director of budget and 1119
management, an amount of net state lottery proceeds is necessary 1120
to be applied to the payment of debt service on obligations, all 1121
as defined in sections 151.01 and 151.03 of the Revised Code, the 1122
director shall transfer that amount directly from the state 1123
lottery fund or from the lottery profits education fund to the 1124
bond service fund defined in those sections. The provisions of 1125
this division are subject to any prior pledges or obligation of 1126
those amounts to the payment of bond service charges as defined in 1127
division (C) of section 3318.21 of the Revised Code, as referred 1128
to in division (B) of this section. 1129

Section 2. That existing sections 135.14, 135.142, 135.143, 1130
135.35, and 3770.06 of the Revised Code are hereby repealed. 1131

Section 3. Section 135.14 of the Revised Code is presented in 1132
this act as a composite of the section as amended by both Sub. 1133
H.B. 473 and Am. Sub. H.B. 640 of the 123rd General Assembly. The 1134
General Assembly, applying the principle stated in division (B) of 1135
section 1.52 of the Revised Code that amendments are to be 1136
harmonized if reasonably capable of simultaneous operation, finds 1137
that the composite is the resulting version of the section in 1138
effect prior to the effective date of the section as presented in 1139
this act. 1140