

REFERENCE TITLE: state-owned bank; fund; establishment

State of Arizona
Senate
Fifty-sixth Legislature
Second Regular Session
2024

SB 1206

Introduced by
Senators Rogers: Borrelli

AN ACT

AMENDING TITLE 6, CHAPTER 1, ARIZONA REVISED STATUTES, BY ADDING ARTICLE 6; AMENDING TITLE 41, CHAPTER 27, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING SECTION 41-3032.01; RELATING TO BANKS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Title 6, chapter 1, Arizona Revised Statutes, is amended
3 by adding article 6, to read:

4 ARTICLE 6. STATE BANK

5 6-171. Definitions

6 IN THIS ARTICLE, UNLESS THE CONTEXT OTHERWISE REQUIRES:

7 1. "BANK" MEANS THE SOVEREIGN STATE BANK OF ARIZONA.

8 2. "BOARD" MEANS THE ADVISORY BOARD OF DIRECTORS TO THE BANK.

9 3. "EXECUTIVE DIRECTOR" MEANS THE INDIVIDUAL WHO IS APPOINTED BY
10 THE BOARD TO MANAGE THE BANK.

11 4. "FUND" MEANS THE STATE BANKING FUND ESTABLISHED BY SECTION
12 6-175.

13 6-172. Establishment of the sovereign state bank; rules

14 A. THIS STATE SHALL ENGAGE IN THE BUSINESS OF BANKING AND SHALL
15 MAINTAIN A SYSTEM OF BANKING OWNED, CONTROLLED AND OPERATED BY THIS STATE
16 UNDER THE NAME OF SOVEREIGN STATE BANK OF ARIZONA.

17 B. THE BANK MUST COMPLY WITH CHAPTER 2 OF THIS TITLE.

18 C. THE DEPARTMENT MAY ADOPT RULES NECESSARY TO IMPLEMENT THIS
19 ARTICLE.

20 6-173. Advisory board of directors; membership; requirements;
21 terms; reimbursements; open meetings; conflict of
22 interest; annual audit

23 A. THE ADVISORY BOARD OF DIRECTORS TO THE SOVEREIGN STATE BANK OF
24 ARIZONA IS ESTABLISHED AND SHALL CONSIST OF THE FOLLOWING MEMBERS:

25 1. FOUR MEMBERS WHO ARE APPOINTED BY THE GOVERNOR AND WHO ARE
26 MEMBERS OF DIFFERENT POLITICAL PARTIES.

27 2. TWO MEMBERS WHO ARE APPOINTED BY THE SPEAKER OF THE HOUSE OF
28 REPRESENTATIVES AND WHO ARE MEMBERS OF DIFFERENT POLITICAL PARTIES.

29 3. TWO MEMBERS WHO ARE APPOINTED BY THE PRESIDENT OF THE SENATE AND
30 WHO ARE MEMBERS OF DIFFERENT POLITICAL PARTIES.

31 4. THE STATE TREASURER OR THE STATE TREASURER'S DESIGNEE.

32 B. ALL BOARD MEMBERS MUST HAVE EDUCATION AND EXPERIENCE IN ANY OF
33 THE FOLLOWING AREAS:

34 1. BANKING FINANCE OR BANKING ORGANIZATION.

35 2. CREDIT UNION MANAGEMENT.

36 3. FINANCIAL SERVICES IN THE PUBLIC OR PRIVATE SECTOR.

37 4. LENDING SERVICES.

38 C. BOARD MEMBERS ARE APPOINTED TO SERVE A TERM OF FOUR YEARS AND
39 MAY SERVE ONLY TWO TERMS.

40 D. A VACANCY SHALL BE FILLED IN THE SAME MANNER AS THE ORIGINAL
41 APPOINTMENT. A BOARD MEMBER MAY CONTINUE TO SERVE AFTER THE EXPIRATION OF
42 THE TERM UNTIL A NEW APPOINTMENT IS MADE.

1 E. THE BOARD SHALL ANNUALLY ELECT A CHAIRPERSON AND VICE
2 CHAIRPERSON FROM AMONG ITS MEMBERS. THE CHAIRPERSON AND VICE CHAIRPERSON
3 MAY SERVE ONLY ONE TERM.

4 F. THE BOARD SHALL MEET QUARTERLY OR MORE FREQUENTLY AT THE
5 DISCRETION OF THE CHAIRPERSON. A MAJORITY OF THE MEMBERS CONSTITUTES A
6 QUORUM.

7 G. BOARD MEMBERS ARE NOT ELIGIBLE TO RECEIVE COMPENSATION BUT ARE
8 ELIGIBLE TO RECEIVE REIMBURSEMENT OF EXPENSES PURSUANT TO TITLE 38,
9 CHAPTER 4, ARTICLE 2.

10 H. THE BOARD IS SUBJECT TO TITLE 38, CHAPTER 3, ARTICLE 3.1,
11 RELATING TO PUBLIC MEETINGS.

12 I. THE BOARD IS SUBJECT TO TITLE 38, CHAPTER 3, ARTICLE 8, RELATING
13 TO CONFLICTS OF INTEREST. IN ADDITION TO THE CONFLICTS OF INTEREST
14 PROVISIONS IN TITLE 38, CHAPTER 3, ARTICLE 8, ANY BOARD MEMBER, EXECUTIVE
15 DIRECTOR OR FUND MANAGER OR ANY EMPLOYEE IN EXECUTIVE MANAGEMENT THAT HAS
16 ANY DIRECT OR INDIRECT INTEREST IN WHICH THE BANK IS OR IS TO BE PARTY TO
17 THE CONTRACT SHALL DISCLOSE THAT INFORMATION TO THE BOARD IN WRITING AND
18 MAY NOT PARTICIPATE IN ANY ACTION BY THE BANK WITH RESPECT TO THAT
19 CONTRACT. BEFORE TAKING OFFICE OR WHILE IN OFFICE, A BOARD MEMBER MUST
20 FILE A STATEMENT WITH THE BANK INDICATING ANY PERSONAL INTEREST THAT THE
21 BOARD MEMBER HAS IN ANY LOAN OR LOAN APPLICATION IN EXISTENCE OR PENDING
22 AT ANY TIME DURING THE BOARD MEMBER'S TERM ON THE BOARD.

23 J. THE BOARD SHALL CAUSE AN ANNUAL AUDIT TO BE MADE OF THE
24 FINANCIAL STABILITY OF THE BANK. THE AUDIT SHALL BE MADE BY A CERTIFIED
25 PUBLIC ACCOUNTANT WITHIN THIRTY DAYS AFTER THE CLOSE OF THE FISCAL YEAR,
26 AND A CERTIFIED COPY OF THE AUDIT SHALL BE FILED WITH THE AUDITOR GENERAL.

27 K. THE AUDITOR GENERAL, IF THE AUDITOR GENERAL DEEMS IT ADVISABLE,
28 MAY MAKE SUCH FURTHER AUDITS AND EXAMINATIONS NECESSARY TO TAKE
29 APPROPRIATE ACTION AS PROVIDED IN TITLE 41, CHAPTER 7, ARTICLE 10.1.
30 UNLESS THE AUDITOR GENERAL TAKES OFFICIAL ACTION WITHIN THIRTY DAYS AFTER
31 THE BOARD FILES THE AUDIT, THE AUDIT SHALL BE DEEMED SUFFICIENT.

32 6-174. Executive director; appointment; duties; annual report

33 A. THE BOARD SHALL APPOINT AN EXECUTIVE DIRECTOR OF THE BANK. THE
34 EXECUTIVE DIRECTOR:

- 35 1. IS AN EMPLOYEE OF THE STATE.
- 36 2. SERVES AT THE PLEASURE OF THE BOARD.
- 37 3. IS RESPONSIBLE TO THE BOARD.
- 38 4. MUST HAVE EXPERIENCE AND EDUCATION IN ADMINISTERING BANKING AND
39 FINANCIAL INSTITUTIONS.
- 40 5. IS SUBJECT TO THE LIMITS OF AVAILABLE MONIES.
- 41 6. MAY HIRE OR REMOVE EMPLOYEES.

42 B. THE EXECUTIVE DIRECTOR SHALL:

- 43 1. MANAGE THE BANK AND IS RESPONSIBLE FOR ALL ADMINISTRATIVE
44 MATTERS OF THE BANK.

1 2. PREPARE AN ANNUAL BUDGET FOR THE BANK THAT IS TO BE REVIEWED AND
2 APPROVED BY THE BOARD.

3 3. MAINTAIN ACCURATE AND COMPLETE RECORDS AND ACCOUNTS CONCERNING
4 ALL TRANSACTIONS INVOLVING THE BANK.

5 4. PROVIDE QUARTERLY REPORTS TO THE BOARD ON THE INVESTMENTS MADE
6 AND ON THE AVAILABLE AND ENCUMBERED MONIES OF THE BANK.

7 5. ON OR BEFORE OCTOBER 1 EACH YEAR, THE ANNUAL REPORT SHALL BE
8 SUBMITTED TO THE BOARD FOR REVIEW AND THE REPORT SHALL BE MADE AVAILABLE
9 TO THE PUBLIC. THE ANNUAL REPORT SHALL INCLUDE A SUMMARY OF THE QUARTERLY
10 REPORTS AND ANY OTHER INFORMATION AS DETERMINED BY THE BOARD.

11 6-175. State banking fund

12 THE STATE BANKING FUND IS ESTABLISHED WITHIN THE BANK. THE FUND
13 SHALL BE ADMINISTERED BY THE BANK AS A SEPARATE ACCOUNT, BUT MAY CONSIST
14 OF SUCH SUBACCOUNTS AS THE BANK DEEMS NECESSARY TO CARRY OUT THE PURPOSES
15 OF THE FUND. THE BOARD SHALL ESTABLISH PROCEDURES AND POLICIES AS
16 REQUIRED TO ADMINISTER THE FUND IN ACCORDANCE WITH APPLICABLE STATE AND
17 FEDERAL LAWS. THE FUND CONSISTS OF APPROPRIATIONS, GIFTS, GRANTS,
18 DEPOSITS, DONATIONS AND INVESTMENT INCOME FROM THE FUND. ALL INCOME
19 EARNED ON THE FUND SHALL BE CREDITED TO THE FUND. MONIES IN THE FUND ARE
20 CONTINUOUSLY APPROPRIATED AND ARE EXEMPT FROM THE PROVISIONS OF SECTION
21 35-190 RELATING TO LAPSING OF APPROPRIATIONS.

22 Sec. 2. Title 41, chapter 27, article 2, Arizona Revised Statutes,
23 is amended by adding section 41-3032.01, to read:

24 41-3032.01. Sovereign state bank advisory board of directors
25 to the sovereign state bank of Arizona;
26 termination July 1, 2032

27 A. THE SOVEREIGN STATE BANK ADVISORY BOARD OF DIRECTORS TO THE
28 SOVEREIGN STATE BANK OF ARIZONA TERMINATES ON JULY 1, 2032.

29 B. TITLE 6, CHAPTER 1, ARTICLE 6 AND THIS SECTION ARE REPEALED ON
30 JANUARY 1, 2033.

31 Sec. 3. Purpose

32 Pursuant to section 41-2955, subsection E, Arizona Revised Statutes,
33 the legislature establishes the sovereign state bank advisory board of
34 directors to the sovereign state bank of Arizona to operate, manage and
35 control the sovereign state bank in Arizona.

36 Sec. 4. Initial terms of members of the advisory board of
37 directors to the sovereign state bank of Arizona

38 A. Notwithstanding section 6-173, Arizona Revised Statutes, as
39 added by this act, the initial terms of members of the advisory board of
40 directors to the sovereign state bank of Arizona are:

41 1. For members appointed pursuant to section 6-173, subsection A,
42 paragraph 1, Arizona Revised Statutes, as added by this act, one term ends
43 on July 1, 2026 and one term ends on July 1, 2028.

1 2. For members appointed pursuant to section 6-173, subsection A,
2 paragraph 2, Arizona Revised Statutes, as added by this act, one term ends
3 on July 1, 2026 and one term ends on July 1, 2028.

4 3. For members appointed pursuant to section 6-173, subsection A,
5 paragraph 3, Arizona Revised Statutes, as added by this act, one term ends
6 on July 1, 2026 and one term ends on July 1, 2028.

7 B. All subsequent appointments shall be as prescribed by statute.