



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 1296

PRINTERS NO. 2553

PRIME SPONSOR: Harper

COST / (SAVINGS)

FUND	FY 2015/16	FY 2016/17
Political Subdivision Funds	\$0	\$0

SUMMARY: Expands the permissible financial products in which municipalities, school districts and municipal authorities may invest their general fund moneys. This legislation would take effect in 60 days.

ANALYSIS: This legislation expands the list of permissible financial products in which a defined public corporation or municipal authority may invest or reinvest their general fund monies.

Investment Options: The legislation provides for the following permissible investment options, in addition to those financial products otherwise authorized by law:

- (1) Obligations, participations or other instruments of any Federal agency, instrumentality or U.S. government-sponsored enterprise if the debt obligations are rated at least "A" or its equivalent by at least two nationally recognized statistical ratings organizations.
- (2) Repurchase agreements with respect to U.S. Treasury bills or obligations, participations or other instruments of or guaranteed by the U.S. or any Federal agency, instrumentality or U.S. government-sponsored enterprise.
- (3) Negotiable certificates of deposit or other evidences of deposit, with a remaining maturity of three years or less, issued by a nationally or State-chartered bank, a Federal or State savings and loan association or a State-licensed branch of a foreign bank.
 - a. For obligations with a maturity of one year or less, the debt obligations of the issuing institution or its parent must be rated in the top short-term rating category by at least two nationally recognized statistical ratings organizations.
 - b. For obligations with a maturity in excess of one year, the senior debt obligations of the issuing institution or its parent must be rated at least "A" or its equivalent by at least two nationally recognized statistical ratings organizations.
- (4) Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances, if the bankers' acceptances do not exceed 180 days maturity and the accepting bank is rated in the top short-term category by at least two nationally recognized statistical ratings organizations.

(5) Commercial paper issued by corporations or other business entities organized in accordance with Federal or State law, with a maturity not to exceed 270 days, if the issuing corporation or business entity is rated in the top short-term category by at least two nationally recognized statistical ratings organizations.

(6) Shares of an investment company registered under the federal Investment Company Act of 1940 whose shares are registered under the federal Securities Act of 1933, if all of the following conditions are met:

a. The investments of the company are authorized investments pursuant to this legislation.

b. The investment company is managed in accordance with Federal regulations relating to money market funds.

c. The investment company is rated in the highest category by a nationally recognized rating agency.

(7) Savings or demand deposits that are initially deposited and invested through a federally insured institution having a place of business in the Commonwealth. The institution arranges for the redeposit of the money in deposits in one or more financial institutions insured by the FDIC. The full amount of principal and any accrued interest of each deposit must be insured by the FDIC. On the same date that the money is redeposited, the selected institution receives an amount of deposits from customers of other financial institutions equal to or greater than the amount of money initially invested through the institution selected by the public corporation or municipal authority.

This legislation does not supersede or preempt other investment powers of public corporations or municipal authorities as otherwise authorized by law.

Annual Report: This legislation also requires each local government investment trust or local government investment pool that invests money for a public corporation or municipal authority to file with the Department of Community and Economic Development, within 120 days of completion of its fiscal year, an annual investment report that covers the previous fiscal year. The report shall include a list of each investment authorized by this legislation that was purchased, including the issuer, date of purchase, maturity date, par amount, cost, yield to maturity at the time of purchase, broker/ dealer from which the investment was purchased, any separately stated fees.

FISCAL IMPACT: This legislation would have no adverse fiscal impact on Commonwealth or political subdivision funds. The legislation would provide political subdivisions with additional investment options that typically pay a higher interest rate than current authorized investments.

PREPARED BY: Tim Rodrigo
House Appropriations Committee (R)

DATE: March 14, 2016

Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.