

**First Regular Session
Seventy-second General Assembly
STATE OF COLORADO**

INTRODUCED

LLS NO. 19-0591.02 Pierce Lively x2059

HOUSE BILL 19-1179

HOUSE SPONSORSHIP

Gray,

SENATE SPONSORSHIP

(None),

House Committees
Finance

Senate Committees

A BILL FOR AN ACT

101 **CONCERNING THE FINANCIAL RISK PROFILES OF LEGAL INVESTMENTS**
102 **OF PUBLIC FUNDS.**

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://leg.colorado.gov>.)

The bill modifies statutes governing the legal investments of public funds as follows:

- ! Allows public entities to invest in the federal agricultural mortgage corporation;
- ! Modifies and standardizes the credit rating requirements for securities invested in by public entities;

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.
Capital letters or bold & italic numbers indicate new material to be added to existing statute.
Dashes through the words indicate deletions from existing statute.

- ! Requires rating requirements to first apply to the security being purchased by a public entity and, if there is no such rating, to then apply to the issuer;
- ! Clarifies that negotiable certificates of deposit are a legal investment and not deposits subject to the limitation of the "Public Deposit Protection Act";
- ! Includes the secured overnight financing rate as an allowable index; and
- ! Allows public entities to invest in local government investment pools.

1 *Be it enacted by the General Assembly of the State of Colorado:*

2 **SECTION 1.** In Colorado Revised Statutes, 24-75-601.1, **amend**
3 (1)(b)(I), (1)(d)(II) introductory portion, (1)(d)(II)(A), (1)(e)(II), (1)(h.5),
4 (1)(k)(III), (1.3)(a) introductory portion, and (1.3)(a)(I); **repeal**
5 (1)(k)(IV); and **add** (1)(m)(I)(C) and (1)(m)(IV) as follows:

6 **24-75-601.1. Legal investments of public funds - definition.**

7 (1) It is lawful to invest public funds in any of the following securities:

8 (b) (I) Any security issued by, fully guaranteed by, or for which
9 the full credit of the following is pledged for payment: The federal farm
10 credit bank, the federal land bank, a federal home loan bank, the federal
11 home loan mortgage corporation, the federal national mortgage
12 association, the export-import bank, the Tennessee valley authority, the
13 government national mortgage association, the world bank, THE FEDERAL
14 AGRICULTURAL MORTGAGE CORPORATION, or an entity or organization
15 that is not listed in this ~~paragraph (b)~~ SUBSECTION (1)(b) but that is
16 created by, or the creation of which is authorized by, legislation enacted
17 by the United States congress and that is subject to control by the federal
18 government that is at least as extensive as that which governs an entity or
19 organization listed in this ~~paragraph (b)~~ SUBSECTION (1)(b). The period
20 from the date of settlement of this type of security to its maturity date

1 ~~shall be no~~ MAY NOT BE more than five years unless the governing body
2 of the public entity authorizes investment for a period in excess of five
3 years.

4 (d) (II) No security may be purchased pursuant to this ~~paragraph~~
5 ~~(d)~~ SUBSECTION (1)(d) unless:

6 (A) At the time of purchase, the security carries at least two credit
7 ratings at or above "~~A~~ A- OR A3" or its equivalent from nationally
8 recognized statistical rating organizations if it is a general obligation of
9 this state or of any political subdivision, institution, department, agency,
10 instrumentality, or authority of this state or carries at least two credit
11 ratings at or above "~~AA~~ AA- OR Aa3" or its equivalent from such
12 organizations if it is a general obligation of any other governmental entity
13 listed in ~~subparagraph (I) of this paragraph (d)~~ SUBSECTION (1)(d)(I) OF
14 THIS SECTION;

15 (e) (II) No security may be purchased pursuant to this ~~paragraph~~
16 ~~(e)~~ SUBSECTION (1)(e) unless, at the time of purchase, the security carries
17 at least two credit ratings at or above "~~A~~ A- OR A3" or its equivalent from
18 nationally recognized statistical rating organizations if it is a revenue
19 obligation of this state or of any political subdivision, institution,
20 department, agency, instrumentality, or authority of this state or carries at
21 least two credit ratings at or above "~~AA~~ AA- OR Aa3" or its equivalent
22 from such organizations if it is a revenue obligation of any other
23 governmental entity listed in ~~subparagraph (I) of this paragraph (e)~~
24 SUBSECTION (1)(e)(I) OF THIS SECTION.

25 (h.5) Any certificate of participation or other security evidencing
26 rights in payments to be made by a school district under a lease,
27 lease-purchase agreement, or similar arrangement if the security, at the

1 time of purchase, carries at least two credit ratings from nationally
2 recognized statistical rating organizations and is rated at or above "A A-
3 OR A3" or its equivalent by all such organizations that have provided a
4 rating;

5 (k) Any money market fund that is registered as an investment
6 company under the federal "Investment Company Act of 1940", as
7 amended, if, at the time the investing public entity invests in such fund:

8 (III) ~~The investments of The fund consist only of securities with~~
9 ~~a maximum remaining maturity as specified in~~ OPERATES IN ACCORDANCE
10 WITH rule 2a-7 under the federal "Investment Company Act of 1940", as
11 amended, or any successor regulation under ~~such~~ THAT act regulating
12 money market funds. ~~so long as such rule 2a-7 is not amended to, or such~~
13 ~~successor regulation does not, increase the maximum remaining maturity~~
14 ~~of such securities to a period that is greater than three years, and if the~~
15 ~~fund has assets of one billion dollars or more, or has the highest current~~
16 ~~credit rating from one or more nationally recognized statistical rating~~
17 ~~organizations.~~

18 (IV) ~~The dollar-weighted average portfolio maturity of the fund~~
19 ~~meets the requirements specified in rule 2a-7 under the federal~~
20 ~~"Investment Company Act of 1940", as amended, or any successor~~
21 ~~regulation under such act regulating money market funds, so long as such~~
22 ~~rule 2a-7 is not amended to increase the dollar-weighted average portfolio~~
23 ~~maturity of a fund to a period greater than one hundred eighty days.~~

24 (m) (I) Any corporate or bank security that is denominated in
25 United States dollars, that matures within three years from the date of
26 settlement, that at the time of purchase carries at least two credit ratings
27 from any of the nationally recognized statistical ratings organizations, and

1 that is not rated below:

2 (C) THESE RATING REQUIREMENTS FIRST APPLY TO THE SECURITY
3 BEING PURCHASED AND SECOND, IF THE SECURITY ITSELF IS UNRATED, TO
4 THE ISSUER, PROVIDED THE SECURITY CONTAINS NO PROVISIONS
5 SUBORDINATING IT FROM BEING A SENIOR DEBT OBLIGATION OF THE
6 ISSUER.

7 (IV) AS USED IN THIS SUBSECTION (1)(m), THE TERM "BANK
8 SECURITY" INCLUDES NEGOTIABLE CERTIFICATES OF DEPOSIT ISSUED BY
9 BANKS ORGANIZED AND CHARTERED WITHIN THE UNITED STATES. PUBLIC
10 ENTITIES MUST CONSIDER THESE BANK SECURITIES AS INVESTMENTS AND
11 NOT DEPOSITS SUBJECT TO THE LIMITATIONS OF THE "PUBLIC DEPOSIT
12 PROTECTION ACT", ARTICLE 10.5 OF TITLE 11.

13 (1.3) (a) Except as provided in ~~paragraph (a) of subsection (1) of~~
14 ~~this section and except as provided in paragraph (b) of this subsection~~
15 ~~(1.3)~~ SUBSECTIONS (1)(a) AND (1.3)(b) OF THIS SECTION, public funds
16 ~~shall~~ MUST not be invested in any security on which the coupon rate is not
17 fixed, or a schedule of specific fixed coupon rates is not established, from
18 the time the security is settled until its maturity date, other than shares in
19 qualified money market mutual funds, unless the coupon rate is:

20 (I) Established by reference to the rate on a United States treasury
21 security with a maturity of one year or less, ~~or~~ to the United States dollar
22 London interbank offer rate of one year or less maturity, THE SECURED
23 OVERNIGHT FINANCING RATE OR ANY OTHER INDEX THAT IS USED TO
24 REPLACE THE LONDON INTERBANK OFFER RATE, or to the cost of funds
25 index or the prime rate as published by the federal reserve; and

26 **SECTION 2.** In Colorado Revised Statutes, 24-75-702, **amend**
27 (1) as follows:

1 **24-75-702. Local governments - authority to pool surplus**
2 **funds.** (1) In accordance with ~~the provisions of this part 7,~~ it is lawful for
3 any local government to pool any ~~moneys~~ MONEY in its treasury, which
4 ~~are~~ IS not immediately required to be disbursed, with the same ~~such~~
5 ~~moneys~~ MONEY in the treasury of any other local government and to
6 ~~deposit~~ INVEST such ~~moneys~~ MONEY in a local government investment
7 pool trust fund in order to ~~take advantage of short-term investments and~~
8 ~~maximize net interest earnings~~ MORE EFFICIENTLY AND SAFELY INVEST
9 THEIR FUNDS.

10 **SECTION 3. Act subject to petition - effective date.** This act
11 takes effect at 12:01 a.m. on the day following the expiration of the
12 ninety-day period after final adjournment of the general assembly (August
13 2, 2019, if adjournment sine die is on May 3, 2019); except that, if a
14 referendum petition is filed pursuant to section 1 (3) of article V of the
15 state constitution against this act or an item, section, or part of this act
16 within such period, then the act, item, section, or part will not take effect
17 unless approved by the people at the general election to be held in
18 November 2020 and, in such case, will take effect on the date of the
19 official declaration of the vote thereon by the governor.