

**STATE and LOCAL
FISCAL IMPACT**

Drafting Number: LLS 14-0075
Prime Sponsor(s): Rep. Pabon
 Sen. Harvey

Date: January 23, 2014
Bill Status: House Finance
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SHORT TITLE: SECURITIES CRITERIA LEGAL INVESTMENT PUBLIC FUNDS

Fiscal Impact Summary	FY 2014-2015	FY 2015-2016
State Revenue		
State Expenditures		
FTE Position Change		
Appropriation Required: None.		

Summary of Legislation

This bill amends the minimum allowable rating for public fund investment in domestic government general obligation and revenue bonds. The bill permits investment in bonds that carry at least two credit ratings from nationally recognized statistical rating organizations and are rated at or above "A," or its equivalent, and reach maturity within five years or less.

Background

Under current law, the investment of public funds in domestic government general obligation bonds is allowed only if the bonds are rated in one of the two highest rating categories ("AA-" or its equivalent, or higher) by at least two rating organizations and reach maturity in three years or less.

Public fund investment in domestic revenue bonds is currently limited to those bonds that are rated in the highest rating category ("AAA") by at least two rating organizations and reach maturity within three years or less.

State and Local Government Impact

The fiscal impact on state and local governments cannot be determined. The bill allows investment in bonds that are likely to have higher yields; however, bonds with a longer time to maturity and a rating of "A" may also carry more risk due to possible changes in interest rates or default.

Current law requires treasurers to formulate investment policies regarding liquidity, maturity, and diversification appropriate to each pool of funds that are available for investment. The extent to which treasurers will invest in bonds permitted under this bill is unknown.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State and Local Government Contacts

Cities and Counties
Treasury
State Auditor's Office
Colorado County Treasurers Association

Local Affairs
Public Trustees
Law