



S.B. 82*

123rd General Assembly
(As Reported by S. Ways & Means)

Sens. Johnson, Wachtmann, Mumper, Drake, White, Kearns

BILL SUMMARY

- Expands the authority of political subdivision treasurers or governing boards and county investment authorities who do not have a written investment policy filed with the State Auditor to invest in certain no-load money market mutual funds.
- Expands the authority of political subdivision and county treasurers who are exempt from or do not complete initial or continuing education programs to invest in certain no-load money market mutual funds.

CONTENT AND OPERATION

Permissible investments in the absence of filed written investment policies

(secs. 135.14(B) and (N) and 135.35(A) and (K))

Currently, the Uniform Depository Act requires a written investment policy that is approved by the treasurer of a political subdivision or governing board, or by the investing authority of a county, to be on file with the State Auditor. The policy must provide that all entities conducting investment business with a subdivision treasurer or governing board or county investment authority sign the investment policy of that subdivision or county. All brokers, dealers, and financial institutions initiating transactions with the subdivision treasurer or governing board or the county investment authority, by giving advice or making investment recommendations, must sign the investment policy, thereby acknowledging their agreement to abide by the policy's contents. All brokers, dealers, and financial institutions executing transactions initiated by the subdivision treasurer or

* *This analysis was prepared before the report of the Senate Ways and Means Committee appeared in the Senate Journal. Note that the list of co-sponsors and the legislative history may be incomplete.*

governing board or the county investment authority, having read the policy's contents, must sign the investment policy, thereby acknowledging their comprehension and receipt of the policy.

In the absence of having a written investment policy on file with the State Auditor's Office, the treasurer or governing board of a subdivision can invest or deposit the subdivision's interim moneys only in (1) interim deposits in any eligible institution applying for interim moneys under the Uniform Depository Act, or (2) the Ohio Subdivision's Fund, commonly referred to as the Treasurer of State's STAR Fund.¹ Similarly, a county investment authority that does not have a written investment policy on file with the State Auditor's Office can invest or deposit the county's inactive moneys or moneys of the county Library and Local Government Support Fund only in (1) time certificates of deposit or savings or deposit accounts in any institution eligible to become a public depository under the Uniform Depository Act, or (2) the Ohio Subdivision's Fund.²

The bill permits any subdivision treasurer or governing board or county investment authority who does not have an investment policy on file with the Auditor of State to also invest in certain no-load (no sales commission) money market mutual funds. These funds consist exclusively of federal government obligations or securities, or obligations guaranteed as to principal and interest by the federal government; bonds, notes, debentures, or other obligations or securities issued by an instrumentality or agency of the federal government; and repurchase agreements secured by these federal government obligations. Any investment in no-load money market mutual funds must be made through an institution eligible to be a public depository under the Uniform Depository Act. A no-load money market mutual fund is defined as (1) a fund that is registered as an investment company under federal law, (2) a fund that has the highest letter or numerical rating provided by at least one nationally recognized standard rating service, and (3) with respect to political subdivisions other than counties, a fund that does not include any investment in a derivative, which is defined as a financial instrument, contract, or obligation that derives its value from another asset or index, or both, that is separate from the financial instrument, contract, or obligation itself. (Secs. 135.01(O) and 135.31(G), not in bill.) (For (3), however, all political

¹ *An interim deposit is a deposit of interim moneys, which means public moneys in the treasury of any subdivision after the award of inactive deposits has been made. These moneys are not needed for immediate use, but are found by the treasurer or governing board to be needed before the end of the period of designation. (Sec. 135.01, not in bill.)*

² *Inactive moneys means all public moneys in public depositories in excess of the amount determined to be needed to meet current demands upon a county treasury (sec. 135.31, not in bill).*

subdivisions, including counties, are subject to a general prohibition against investing in derivatives (secs. 135.14(C) and 135.35(B)).)

Permissible investments in cases of exemptions from or noncompliance with education programs

(secs. 135.22(B) and (E) and 321.46(A) and (E))

Under existing law, a treasurer of a political subdivision must complete continuing education programs in investments, cash management, and ethics unless the treasurer annually files with the State Auditor a notice of exemption from the continuing education requirements. The notice provides that the treasurer of the subdivision is exempt from adhering to the continuing education requirements because the treasurer, pursuant to the Uniform Depository Act, invests or deposits public moneys only in (1) interim deposits of eligible institutions, or (2) the Ohio Subdivision's Fund.

Existing law also requires county treasurers to complete initial and continuing education programs in governmental accounting, portfolio reporting and compliance, investments, and cash management. A county treasurer who fails to complete these programs, without a valid health-related excuse or other special hardship, is restricted to investing in (1) the Ohio Subdivision's Fund, or (2) time certificates of deposit or deposit accounts in any institution eligible to become a public depository under the Uniform Depository Act. A county treasurer who does not complete the initial or continuing education programs and invests in an investment other than these two types of investments is subject to removal from office.

The bill adds the same types of no-load money market mutual funds discussed above in "**Permissible investments in the absence of filed written investment policies,**" to the investments treasurers of political subdivisions or counties may make when they do not meet the continuing education program requirements.

HISTORY

ACTION	DATE	JOURNAL ENTRY
Introduced	02-23-99	pp. 144-145
Reported, S. Ways & Means	---	---

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