Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: Sub. S.B. 287 of the 130th G.A. **Date**: May 14, 2014

Status: As Reported by Senate Finance **Sponsor**: Sen. Hughes

Local Impact Statement Procedure Required: No

Contents: To modify authorized investments of interim moneys and inactive moneys under the Uniform Depository Act

State Fiscal Highlights

- The bill modifies the classifications of obligations in which the Treasurer of State may invest interim funds of the state. The changes allow the Treasurer to diversify its investments of state interim funds, which may potentially increase earnings on investment for the state. There would also be a possibility of investment losses by way of the newly permitted investments.
- The bill shifts some responsibilities related to training of local government officials from the Auditor of State to the Treasurer of State. This would likely increase administrative costs paid out of the GRF and administrative costs paid out of the County Treasurer Education Fund (Fund 5C50), and would likely increase fee revenue to Fund 5C50. It would likely decrease administrative costs and revenue to the Auditor of State Training Program Fund (Fund 5840).

Local Fiscal Highlights

- The bill modifies the classifications of obligations in which a treasurer or governing body of a political subdivision may invest interim funds of the subdivision. The changes allow political subdivisions to diversify their investments of interim funds, which may potentially increase their earnings on investment. There would also be a possibility of investment losses by way of the newly permitted investments.
- The bill would allow a treasurer or governing body of a board of education to diversify its investments of the school district's interim funds. The bill may potentially increase school districts' earnings on investment. There would also be a possibility of investment losses by way of the newly permitted investments.
- Any training that local government officials may need as a result of the bill may involve costs for local governments, but they would be permissive.

Detailed Fiscal Analysis

The bill makes changes to the types of investment instruments in which the Treasurer of State and a treasurer or governing body of a political subdivision or a board of education, may invest or execute transactions with its interim funds. The bill provides training requirements for local government authorities before they can invest in certain instruments. The bill also makes changes related to a county investing authority's investment of the county's inactive moneys and county public library fund moneys. Some details regarding the changes may be found below, but readers interested in complete details are referred to the LSC bill analysis.

The bill removes obligations that are issued by the Student Loan Marketing Association from the list of eligible obligations in which a treasurer or governing body of a political subdivision may invest or execute transactions for interim funds of the subdivision. The bill specifies that a treasurer or governing body of a political subdivision may invest interim funds of the subdivision in certain investment instruments through a member of the Financial Industry Regulatory Authority (FINRA) instead of the National Association of Securities Dealers as provided in existing law.

Investment of state interim funds and moneys in Deferred Prizes Trust Fund

The bill modifies the classifications of obligations in which the Treasurer of State may invest or execute transactions for interim funds of the state. The bill allows the Treasurer to invest state interim funds in certain obligations, including notes and other obligations of the state, bonds, notes, and other obligations issued by the Ohio Water Development Authority and the Ohio Turnpike and Infrastructure Commission. The Treasurer may invest interim funds of the state in bonds, notes, and other obligations of any state or political subdivision if it meets certain conditions as specified by the bill. The bill also makes other changes regarding obligations eligible for interim investment.

The bill specifies that investment of moneys in the Deferred Prizes Trust Fund made by the Treasurer of State is not subject to certain limitations that are applicable to state investments of interim funds. The bill also allows the State Board of Deposit to adopt necessary rules to implement the state's Uniform Deposit Act.

Investment of political subdivision interim funds

The bill modifies the classifications of obligations in which a treasurer or governing body of a political subdivision (other than a county) may invest interim funds of the subdivision. The bill permits interim moneys of a political subdivision to be invested in certain types of investment instruments under specified circumstances, such as after completing certain additional training or after filing with the Auditor of State a written investment policy approved by the treasurer or governing body. The bill provides that the type and amount of additional training must be approved by the

Treasurer of State and may be conducted by or provided under the supervision of the Treasurer, instead of the Auditor of State.

The bill increases the amount of political subdivision interim moneys available for investment in certain types of commercial paper notes or bankers acceptances from 25% to 40%. In addition, the bill modifies the eligible types of commercial paper notes, including the maturity period and the aggregate amount of interim moneys that can be invested in notes of a single issuer.

Investment of board of education interim funds

The bill increases from 25% to 40% the amount of interim moneys, available for investment at any one time, in which the treasurer of a board of education may invest in certain types of commercial paper notes or bankers acceptances. The bill also modifies the eligible types of commercial paper notes in which a board treasurer may invest. The bill specifies a treasurer of a board of education may invest in certain investment instruments if such treasurer completed certain training. The bill also specifies that the training must be approved by, and may be conducted by or provided under the supervision of, the Treasurer of State rather than the Auditor of State.

Training requirement for a county investing authority

The bill provides training requirements for a county investing authority to make investments in commercial paper notes and bankers acceptances. Under the bill, the training must be approved by, and may be conducted by or provided under the supervision of, the Treasurer of State rather than the Auditor of State.

Fiscal effect

Allowing the Treasurer of State, a treasurer or governing body of a political subdivision, and a treasurer or governing body of a board of education to diversify its investments of interim funds may potentially increase the state's, subdivisions', and school districts' earnings on investment. There would also be a possibility of investment losses by way of the newly permitted investments.

The bill may also increase the Treasurer of State's administrative costs related to training requirements mentioned above. The costs would be paid in part by the GRF, and in part through the County Treasurer Education Fund (Fund 5C50). Fund 5C50 receives fees paid by training participants, which would likely increase under the bill. Currently, the Treasurer, through the Center for Public Investment Management (CPIM) within the Treasurer's Office, maintains continuing education requirements for all public funds managers with investing authority throughout the state.

There may be a corresponding decrease in administrative costs and revenue for the Auditor of State. Any such decrease would most likely be experienced by the Auditor of State Training Program Fund (Fund 5840).