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February 18, 2021

SENATE BILL NO. 281

By: Quinn of the Senate

and

O'Donnell of the House

An Act relating to public finance; amending 62 O.S. 2011, Sections 348.1, as last amended by Section 1, Chapter 43, O.S.L. 2014 and 348.3 (62 O.S. Supp. 2020, Section 348.1), which relate to authorized investment; modifying types of investments required by city and county governments upon certain authorization; establishing criteria of investments; and providing an effective date.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. AMENDATORY 62 O.S. 2011, Section 348.1, as last amended by Section 1, Chapter 43, O.S.L. 2014 (62 O.S. Supp. 2020, Section 348.1), is amended to read as follows:

Section 348.1. A. Except as otherwise provided for by law, a county treasurer, when authorized by the board of county commissioners by a written investment policy, ordinance or resolution or the treasurer of any city or town, when authorized by the appropriate governing body by a written investment policy, ordinance or resolution, shall invest monies in the custody of the treasurer in:

1 1. Direct obligations of the United States Government, its
2 agencies or instrumentalities to the payment of which the full faith
3 and credit of the Government of the United States is pledged, or
4 ~~obligations to the payment of which the full faith and credit of~~
5 ~~this state is pledged~~ investment grade obligations of this state;
6 provided, that any such security shall be rated A+ or better by
7 Standard and Poor's Corporation or A1 or better by Moody's Investor
8 Service or an equivalent investment grade by a securities ratings
9 organization accepted by the National Association of Insurance
10 Commissioners including investment grade obligations of state
11 agencies;

12 2. Collateralized or insured certificates of deposits of
13 savings and loan associations, banks, savings banks and credit
14 unions located in this state, when the certificates of deposit are
15 secured by acceptable collateral as provided by law, or fully
16 insured certificates of deposit at banks, savings banks, savings and
17 loan associations and credit unions located out of state;

18 3. Savings accounts or savings certificates of savings and loan
19 associations, banks, and credit unions, to the extent that the
20 accounts or certificates are fully insured by the Federal Deposit
21 Insurance Corporation;

22 4. Investments as authorized by Section 348.3 of this title
23 which are fully collateralized in investments specified in
24 paragraphs 1 through 3 of this section, and where the collateral has

1 | been deposited with a trustee or custodian bank in an irrevocable
2 | trust or escrow account established for such purposes; or

3 | 5. County, municipal or school district direct debt obligation
4 | for which an ad valorem tax may be levied or bond and revenue
5 | anticipation notes, money judgments against such county,
6 | municipality or school district ordered by a court of record or
7 | bonds or bond and revenue anticipation notes issued by a public
8 | trust for which such county, municipality or school district is a
9 | beneficiary thereof. All collateral pledged to secure public funds
10 | shall be valued at no more than market value. The income received
11 | from that investment may be placed in the general fund of the
12 | governmental subdivision to be used for general governmental
13 | operations, the sinking fund, the building fund, or the fund from
14 | which the investment was made.

15 | B. The provisions of this section shall not apply to
16 | investments made by organizations of municipalities created for the
17 | purpose of securing benefits and services relating to insurance for
18 | Oklahoma municipalities or other political subdivisions.

19 | SECTION 2. AMENDATORY 62 O.S. 2011, Section 348.3, is
20 | amended to read as follows:

21 | Section 348.3. A. In addition to the investments authorized by
22 | Section 348.1 of this title, the governing body of a city or of a
23 | county may adopt a written investment policy directing the
24 | investment of the funds of the city or county and any of its public

1 trusts or authorities. If such a policy is adopted by the governing
2 body, such funds shall be invested pursuant to the provisions of the
3 policy. The written policy shall address liquidity,
4 diversification, safety of principal, yield, maturity and quality
5 and capability of investment management, with primary emphasis on
6 safety and liquidity. To the extent practicable, taking into
7 account the need to use sound investment judgment, the written
8 investment policies shall include provision for utilization of a
9 system of competitive bidding in the investment of municipal funds.
10 The system shall be designed to maximize yield within each class of
11 investment instrument, consistent with the safety of the funds
12 invested.

13 B. The written investment policy may authorize the city
14 treasurer or county treasurer to purchase and invest in any or all
15 of the following:

16 1. Obligations of the United States government, its agencies
17 and instrumentalities, or investment grade obligations of this
18 state; provided, that any such security shall be rated A+ or better
19 by Standard and Poor's Corporation or A1 or better by Moody's
20 Investor Service or an equivalent investment grade by a securities
21 ratings organization accepted by the National Association of
22 Insurance Commissioners including investment grade obligations of
23 state agencies;
24

1 2. Collateralized or insured certificates of deposit and other
2 evidences of deposit at banks, savings banks, savings and loan
3 associations and credit unions located in this state, or fully
4 insured certificates of deposit at banks, savings banks, savings and
5 loan associations and credit unions located out of state;

6 3. Negotiable certificates of deposit issued by a nationally or
7 state-chartered bank, a savings bank, a savings and loan association
8 or a state-licensed branch of a foreign bank. Purchases of
9 negotiable certificates of deposit shall not exceed ten percent
10 (10%) of the surplus funds of the city or county which may be
11 invested pursuant to this section. Not more than one-half (1/2) of
12 the ten percent (10%) limit shall be invested in any one financial
13 institution specified in this paragraph;

14 4. Prime banker's acceptances which are eligible for purchase
15 by the Federal Reserve System and which do not exceed two hundred
16 seventy (270) days' maturity. Purchases of prime banker's
17 acceptances shall not exceed ten percent (10%) of the surplus funds
18 of the city or county which may be invested pursuant to this
19 section. Not more than one-half (1/2) of the ten percent (10%)
20 limit shall be invested in any one commercial bank pursuant to this
21 paragraph;

22 5. Prime commercial paper which shall not have a maturity that
23 exceeds one hundred eighty (180) days nor represent more than ten
24 percent (10%) of the outstanding paper of an issuing corporation.

1 Purchases of prime commercial paper shall not exceed seven and one-
2 half percent (7 1/2%) of the surplus funds of the city or county
3 which may be invested pursuant to this section;

4 6. Repurchase agreements that have underlying collateral
5 consisting of those items specified in paragraphs 1 through 5 of
6 this subsection; and

7 7. Money market funds regulated by the Securities and Exchange
8 Commission and which investments consist of those items and those
9 restrictions specified in paragraphs 1 through 6 of this subsection.

10 C. Investments shall be made with judgment and care, under
11 circumstances then prevailing, which persons of prudence, discretion
12 and intelligence exercise in the management of their own affairs,
13 not for speculation, but for investment, considering the probable
14 safety of their capital as well as the probable income to be
15 derived.

16 SECTION 3. This act shall become effective November 1, 2021.

17 COMMITTEE REPORT BY: COMMITTEE ON GENERAL GOVERNMENT
18 February 18, 2021 - DO PASS
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