

1 SB178  
2 214918-4  
3 By Senator Givhan  
4 RFD: Governmental Affairs  
5 First Read: 02-FEB-22

1 SB178

2  
3  
4 ENROLLED, An Act,

5 Relating to local government; to amend Section  
6 11-81-21, Code of Alabama 1975, to further provide the  
7 investment of certain municipal and county funds; and to make  
8 nonsubstantive, technical revisions to update the existing  
9 code language to current style.

10 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

11 Section 1. Section 11-81-21, Code of Alabama 1975,  
12 is amended to read as follows:

13 "§11-81-21.

14 "(a) Any municipal funds or county funds that a  
15 municipal or county governing body determines are not  
16 presently needed for other purposes may be invested in any  
17 obligations in which sinking funds are now authorized to be  
18 invested, pursuant to Section 11-81-19, and in addition, in  
19 any of the following:

20 "(1) Direct obligations of (including obligations  
21 issued or held in book entry form on the books of) the  
22 Department of the Treasury of the United States of America;

23 "(2) Obligations of any of the following federal  
24 agencies, which obligations represent the full faith and  
25 credit of the United States of America:

- 1 "a. Farmers Home Administration.
- 2 "b. General Services Administration.
- 3 "c. U.S. Maritime Administration.
- 4 "d. Small Business Administration.
- 5 "e. Government National Mortgage Association (GNMA).
- 6 "f. U.S. Department of Housing and Urban Development
- 7 (HUD).
- 8 "g. Federal Housing Administration (FHA).

9 "~~(3) U.S. dollar-denominated~~ U.S. dollar-denominated  
10 deposit accounts and certificates of deposit with banks or  
11 savings associations which are qualified public depositories  
12 under Chapter 14A of Title 41.

13 "~~(4) Pre-refunded public obligations, defined as~~  
14 ~~follows:~~

15 "~~Any~~ (4) Pre-refunded public obligations, defined as  
16 bonds or other obligations of any state of the United States  
17 of America or of any agency, instrumentality, or local  
18 governmental unit of any such state ~~(i) which are~~ which  
19 fulfill all of the following:

20 "a. Are not callable at the option of the obligor  
21 prior to maturity or as to which irrevocable notice has been  
22 given by the obligor to call on the date specified in the  
23 notice ~~, and (ii) which are.~~

24 "b. Are fully secured as to principal and interest  
25 and redemption premium, if any, by a fund consisting only of

1 cash or obligations described in subdivision (1) ~~above~~, which  
2 ~~fund~~ may be applied only to the payment of such principal of, and  
3 and interest and redemption premium, if any, on ~~such~~, the  
4 bonds or other obligations on the maturity date or dates  
5 thereof or the specified redemption date or dates pursuant to  
6 ~~such~~ the irrevocable instructions referred to in paragraph a.,  
7 as appropriate, ~~and (iii) which fund is~~ and the fund is  
8 sufficient, as verified by an independent certified public  
9 accountant, to pay principal of and interest and redemption,  
10 if any, on the bonds or other obligations described in this  
11 paragraph on the maturity date or dates thereof or on the  
12 redemption date or dates specified in the irrevocable  
13 instructions referred to in ~~subclause (i) of this~~ paragraph  
14 a., as appropriate, ~~and (iv) which are~~.

15 "c. Are rated, based on the escrow, in the highest  
16 rating category of Standard & Poor's Corporation and Moody's  
17 Investors Service, Inc., or any successors thereto.

18 "(5) a. Interests, however evidenced, in any common  
19 trust fund or other collective investment fund maintained by  
20 any national or state chartered bank, trust company or savings  
21 association having trust powers, or securities of or other  
22 interests in any open-end ~~or closed-end~~ management type  
23 investment company or investment trust registered under the  
24 Investment Company Act of 1940, as from time to time amended,

1 so long as all of the following requirements are met at the  
2 time of purchase and during the term of investment:

3 "~~(i)~~1. At least 65% of the portfolio of such common  
4 trust fund, collective investment fund, or investment company  
5 or investment trust must consist of investments authorized in  
6 subdivisions (1), (2), (3), or (4) ~~above, and (ii) the.~~

7 "2. The remainder of the portfolio ~~(if any, but not~~  
8 ~~more than 35%), if any, but in no case more than 35 percent,~~  
9 may consist only of one or more of the following investments:

10 "~~(x) obligations~~ (i) Obligations issued or  
11 guaranteed by any of the following agencies: Federal National  
12 Mortgage Association (FNMA), Federal Home Loan Mortgage  
13 Corporation (FHLMC), including FNMA, and FHLMC participation  
14 certificates, Federal Land Banks, Central Bank for  
15 Cooperatives, Federal Intermediate Credit Banks, Student Loan  
16 Marketing Association, and Federal Home Loan Banks, ~~(y)~~  
17 ~~mortgage.~~

18 "(ii) Mortgage related securities (as that term is  
19 defined in Section 3(a)(41) of the Securities Exchange Act of  
20 1934 (15 U.S.C. § 78c(a)(41)), ~~or (z) repurchase.~~

21 "(iii) Repurchase agreements fully collateralized by  
22 obligations, securities, or investments otherwise authorized  
23 under ~~subdivisions 5(i)-(ii)~~ this subdivision, so long as the  
24 common trust fund, collective investment fund, investment  
25 company, or investment trust takes possession and delivery of

1 the collateral for any repurchase agreement either directly or  
2 through an authorized custodian.

3 "b. The fact that any financial institution making  
4 ~~such investment~~ an investment as described in paragraph a. on  
5 behalf of the municipality or county, or any affiliate of such  
6 financial institution, is providing services to the investment  
7 company or investment trust as an investment advisor, sponsor,  
8 distributor, custodian, transfer agent, registrar, or  
9 otherwise, and is receiving reasonable remuneration for such  
10 services, shall not preclude such institution from making the  
11 investment in the securities of such investment company or  
12 investment trust; provided, however, that with respect to any  
13 account for municipal funds or county funds to which fees are  
14 charged for such services, the said financial institution  
15 shall disclose ~~(by prospectus, account statement, or~~  
16 ~~otherwise)~~, by prospectus, account statement, or otherwise, to  
17 the beneficiary of such account or, to any third party  
18 directing investments, the basis ~~(expressed as a percentage of~~  
19 ~~asset value or otherwise)~~, expressed as a percentage of asset  
20 value or otherwise, upon which the fee is calculated.

21 "(6) Commercial paper with the highest credit rating  
22 at the time of purchase.

23 "(7) Banker's acceptances.

24 "(b) The terms "municipal funds" and "county funds"  
25 as used in this section shall include all general, special,

1 permanent, trust, and other funds, regardless of source or  
2 purpose, held or administered by any county, city, or town, or  
3 by any officer or agency thereof, in the State of Alabama.

4 "(c) Investments of municipal funds or county funds  
5 shall be made by the officer or agency controlling their  
6 disposition. ~~Such~~ The county, city, or town, or official or  
7 agency thereof, may at any time sell ~~such~~ obligations  
8 purchased pursuant to this section, and the money received  
9 from ~~such~~ the sale and the interest and profits on ~~such~~ the  
10 investment shall be credited to the fund from which the  
11 investment was made. Any ~~such~~ obligation purchased pursuant to  
12 this section may be deposited for safekeeping with any bank,  
13 trust company, or savings association organized either under  
14 the laws of the State of Alabama or of the United States."

15 Section 2. This act shall become effective  
16 immediately following its passage and approval by the  
17 Governor, or its otherwise becoming law.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21

---

President and Presiding Officer of the Senate

---

Speaker of the House of Representatives

SB178

Senate 16-FEB-22

I hereby certify that the within Act originated in and passed the Senate.

Patrick Harris,  
Secretary.

---

House of Representatives  
Passed: 09-MAR-22

---

By: Senator Givhan