

Second Regular Session
Sixty-ninth General Assembly
STATE OF COLORADO

REENGROSSED

*This Version Includes All Amendments
Adopted in the House of Introduction*

LLS NO. 14-0075.01 Jason Gelender x4330

HOUSE BILL 14-1103

HOUSE SPONSORSHIP

Pabon, Holbert, Lawrence, McNulty, Murray, Priola, Szabo

SENATE SPONSORSHIP

Harvey,

House Committees
Finance

Senate Committees

A BILL FOR AN ACT

101 **CONCERNING THE CRITERIA THAT CERTAIN SECURITIES MUST MEET TO**
102 **QUALIFY AS LEGAL INVESTMENTS FOR PUBLIC FUNDS.**

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://www.leg.state.co.us/billsummaries>.)

Current law allows investment of public funds in domestic government general obligation bonds only if the bonds are rated in one of the 2 highest ratings categories ("AA-" or its equivalent or higher) by at least 2 rating organizations and have a term of 3 years or less and in domestic revenue bonds only if the bonds are rated in the highest rating

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.
Capital letters indicate new material to be added to existing statute.
Dashes through the words indicate deletions from existing statute.

HOUSE
3rd Reading Unamended
February 11, 2014

HOUSE
Amended 2nd Reading
February 10, 2014

category ("AAA") by at least 2 rating organizations and have a term of 3 years or less. The bill allows investment of public funds in such bonds only if the bonds carry at least 2 credit ratings from rating organizations and are rated at or above "A" or its equivalent by all such organizations that have provided a rating and have terms of 5 years or less.

1 *Be it enacted by the General Assembly of the State of Colorado:*

2 **SECTION 1.** In Colorado Revised Statutes, 24-75-601.1, **amend**
3 (1) (d) (II) (A), (1) (d) (II) (C), (1) (e) (II), (1) (e) (III), (1) (h.5), (1) (k)
4 (III), and (1) (l) (I) as follows:

5 **24-75-601.1. Legal investments of public funds.** (1) It is lawful
6 to invest public funds in any of the following securities:

7 (d) (II) No security may be purchased pursuant to this paragraph
8 (d) unless:

9 (A) At the time of purchase, the security ~~is rated in one of its two~~
10 ~~highest rating categories by two or more~~ CARRIES AT LEAST TWO CREDIT
11 RATINGS AT OR ABOVE "A" OR ITS EQUIVALENT FROM nationally
12 recognized STATISTICAL RATING organizations ~~that regularly rate such~~
13 ~~obligations.~~ IF IT IS A GENERAL OBLIGATION OF THIS STATE OR OF ANY
14 POLITICAL SUBDIVISION, INSTITUTION, DEPARTMENT, AGENCY,
15 INSTRUMENTALITY, OR AUTHORITY OF THIS STATE OR CARRIES AT LEAST
16 TWO CREDIT RATINGS AT OR ABOVE "AA" OR ITS EQUIVALENT FROM SUCH
17 ORGANIZATIONS IF IT IS A GENERAL OBLIGATION OF ANY OTHER
18 GOVERNMENTAL ENTITY LISTED IN SUBPARAGRAPH (I) OF THIS PARAGRAPH
19 (d);

20 (C) The period from the date of settlement of this type of security
21 to its maturity date ~~shall be~~ OR DATE OF OPTIONAL REDEMPTION THAT HAS
22 BEEN EXERCISED AS OF THE DATE THE SECURITY IS PURCHASED IS no more
23 than ~~three~~ FIVE years unless the governing body of the public entity

1 authorizes investment for a period in excess of ~~three~~ FIVE years.

2 (e) (II) No security may be purchased pursuant to this paragraph
3 (e) unless, at the time of purchase, the security is rated in its highest rating
4 category by two or more CARRIES AT LEAST TWO CREDIT RATINGS AT OR
5 ABOVE "A" OR ITS EQUIVALENT FROM nationally recognized STATISTICAL
6 RATING organizations ~~that regularly rate such obligations~~ IF IT IS A
7 REVENUE OBLIGATION OF THIS STATE OR OF ANY POLITICAL SUBDIVISION,
8 INSTITUTION, DEPARTMENT, AGENCY, INSTRUMENTALITY, OR AUTHORITY
9 OF THIS STATE OR CARRIES AT LEAST TWO CREDIT RATINGS AT OR ABOVE
10 "AA" OR ITS EQUIVALENT FROM SUCH ORGANIZATIONS IF IT IS A REVENUE
11 OBLIGATION OF ANY OTHER GOVERNMENTAL ENTITY LISTED IN
12 SUBPARAGRAPH (I) OF THIS PARAGRAPH (e).

13 (III) The period from the date of settlement of this type of security
14 to its maturity date OR DATE OF OPTIONAL REDEMPTION THAT HAS BEEN
15 EXERCISED AS OF THE DATE THE SECURITY IS PURCHASED shall be no more
16 than ~~three~~ FIVE years.

17 (h.5) Any certificate of participation or other security evidencing
18 rights in payments to be made by a school district under a lease,
19 lease-purchase agreement, or similar arrangement if the security, at the
20 time of purchase, carries at least two credit ratings from ~~any of the~~
21 nationally recognized ~~credit rating agencies~~ STATISTICAL RATING
22 ORGANIZATIONS and is rated at or above "A" OR ITS EQUIVALENT by all
23 such ~~credit agencies~~ ORGANIZATIONS that have provided a rating;

24 (k) Any money market fund that is registered as an investment
25 company under the federal "Investment Company Act of 1940", as
26 amended, if, at the time the investing public entity invests in such fund:

27 (III) The investments of the fund consist only of securities with a

1 maximum remaining maturity as specified in rule 2a-7 under the federal
2 "Investment Company Act of 1940", as amended, or any successor
3 regulation under such act regulating money market funds, so long as such
4 rule 2a-7 is not amended to, or such successor regulation does not,
5 increase the maximum remaining maturity of such securities to a period
6 that is greater than three years, and if the fund has assets of one billion
7 dollars or more, or has the highest current credit rating from one or more
8 nationally recognized STATISTICAL RATING organizations. ~~that regularly~~
9 ~~rate such obligations.~~

10 (l) (I) Any guaranteed investment contract, guaranteed interest
11 contract, annuity contract, or funding agreement if, at the time the
12 contract or agreement is entered into, the long-term credit rating, financial
13 obligations rating, claims paying ability rating, or financial strength rating
14 of the party, or of the guarantor of the party, with whom the public entity
15 enters the contract or agreement is, at the time of issuance, rated in one
16 of the two highest rating categories by two or more nationally recognized
17 ~~securities~~ STATISTICAL rating agencies ~~that regularly issue such ratings~~
18 ORGANIZATIONS.

19 **SECTION 2. Safety clause.** The general assembly hereby finds,
20 determines, and declares that this act is necessary for the immediate
21 preservation of the public peace, health, and safety.