Local Mandate Fiscal Impact Estimate Kentucky Legislative Research Commission 2016 Regular Session

Part I: Measure Information

Bill Request #: 901	
Bill #: 178	
Bill Subject/Title:	AN ACT relating to investments made by local governments or political subdivisions.
Sponsor: Representative Russ Meyer	
Unit of Government:	XCityXCountyXUrban-CountyXCharter CountyXConsolidated LocalXGovernment
Office(s) Impacted:	
Requirement: X	Mandatory <u>X</u> Optional
Effect on Powers & Duties:	X Modifies Existing X Adds New Eliminates Existing

Part II: Purpose and Mechanics

House Bill 178 amends KRS 66.480 to allow investment of public monies in exchange traded funds as well as individual equity and fixed income securities. Criteria for investment in individual equity securities includes management by a professional investment manager regulated by a federal regulatory agency, inclusion in the Standard and Poor's 500 Index, and a single sector investment limit to 25% of the equity allocation. Individual fixed-income securities must also be managed by a professional investment manager and may include high quality corporate bonds that are issued, assumed, or guaranteed by a solvent institution created and existing under the laws of the United States; have a standard maturity of no more than ten years; and are rated in the three highest rating categories by at least two nationally recognized credit rating agencies.

HB 178 also amends KRS 66.480 to limit the investment of public monies in mutual funds, exchange traded funds, and individual equity and fixed income securities to 40% of total investments. Investments in any one issuer would also be limited to 5% of total investments, as determined at the time of investment; unless the issuer is the U.S. government (or agency whose obligations are guaranteed by the U.S. government) or the money is invested in a certificate of deposit.

Part III: Fiscal Explanation, Bill Provisions, and Estimated Cost

HB 178 has no fiscal impact on local governments. While the bill would increase options for the investment of public funds by local governments, any final financial impact would be determined by the investment decisions of local government officials.

Data Source(s): Kentucky League of Cities (KLC), LRC Staff

Preparer: Katherine L. Halloran Reviewer: JWN Date: 1/19/16