Local Government Mandate Statement Kentucky Legislative Research Commission 2020 Regular Session

Part I: Measure Information

Bill Request #: 2063						
Bill #: HB 493						
Document ID #: <u>5456</u>						
Bill Subject/Title: AN ACT relating to local investments.						
Sponsor: Representative C. Ed Massey						
Unit of Government: X City X County X Urban-County Unified Local Unified Local Unified Local Unified Local Unified Local						
$\underline{\mathbf{X}}$ Charter County $\underline{\mathbf{X}}$ Consolidated Local $\underline{\mathbf{X}}$ Government						
Office(s) Impacted: Local Government						
Requirement: Mandatory X_ Optional						
Effect on Powers & Duties: X Modifies Existing Adds New Eliminates Existing						

Part II: Bill Provisions and the Estimated Fiscal Impact Relating to Local Government

Relating to the investment of idle funds of local governments and schools, HB 493 amends KRS 66.480 to exempt mutual fund investments from the requirement that the aggregate amount of money invested in mutual funds cannot be more than 40% of the total money invested.

This legislation allows local funds to exceed the 40% limitation **IF** the investment is in a mutual fund consisting solely of:

- Obligations of the United States and of its agencies and instrumentalities;
- Obligations and contracts for future delivery or purchase of obligations backed by full faith and credit of the United States or a United States government agency;
- Obligations of any corporation of the United States Government;
- Bonds or certificates of indebtedness of this state and its agencies and instrumentalities; and

• Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States, and rated in one of the three highest rated categories by a competent rating agency.

The Kentucky Association of Counties (KACo) and the Kentucky League of Cities (KLC) indicate that this legislation will have a minimal yet positive financial and administrative impact.

Additionally, KLC stated that this legislation will allow additional investment opportunities without adding additional risk. It allows each local government to set their own policies and could be more restrictive.

KLC also provided that in FY 2018, cities reported over \$21.6 million dollars in investment earnings. Cities had a combined total of approximately \$2.59 billion dollars in cash and investments at the end of FY 2018

The fiscal impact of HB 493 on local governments is indeterminable but it is expected to be minimally positive.

Part III: Differences to Local Government Mandate Statement from Prior Versions

The Part II section above pertains to the bill as introduced.

Data Sourc	e(s): <u>Kentuc</u>	ky League of Cities, K	Centucky Associ	ation of Counties, I	RC Staff
Preparer:	Mark Offerma	n Reviewer	: KHC	Date:	2/28/20