

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7539

BILL NUMBER: HB 1431

DATE PREPARED: Apr 8, 1999

BILL AMENDED: Apr 7, 1999

SUBJECT: Local use of money market mutual funds.

FISCAL ANALYST: Beverly Holloway

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**FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL**

IMPACT: State & Local

Summary of Legislation: (Amended) This bill allows the State Treasurer, a municipal corporation or a special taxing district to invest in money market mutual funds. The investment of public funds is restricted to an investment fund that has a portfolio limited to obligations of the federal government of fully collateralized repurchase agreements backed by the direct obligation of the federal government. It requires the mutual fund to have a rating of AAAM from Standard and Poor's or Aaa from Moody's Investors Service, Inc.

This bill requires the fiscal officer to annually obtain the approval of the fiscal body before making investments in money market mutual funds. Money market investments must be made through depositories designated as depositories for state deposits.

This bill provides for certain investment restrictions.

Effective Date: July 1, 1999.

Explanation of State Expenditures:

Explanation of State Revenues: (Revised) This bill allows the State Treasurer to invest public funds in an open-end, no-load, management-type investment company or investment trust commonly known as a AAA money market mutual fund. The investments made under the new investment options may not exceed 50% of the funds held by the officer and available for investment. This provision gives the State Treasurer a more convenient purchasing option with the possibility of minimal increased risk and an opportunity for earning a higher yield. The money market investments must be made through designated state depositories.

Explanation of Local Expenditures:

Explanation of Local Revenues: (Revised) Similar to the State Treasurer, this bill allows a municipal corporation or a special taxing district to invest public funds in an open-end, no-load, management-type investment company or investment trust commonly known as a AAA money market mutual fund. Money market investments must be made through depositories designated as depositories for state deposits. Prior to making these types of investments the fiscal officer of the municipal corporation or a special taxing district

must annually obtain the approval of the fiscal body. This provision gives a municipal corporation or a special taxing district a more convenient purchasing option with the possibility of minimal increased risk and an opportunity for earning a higher yield.

The investments made under the new investment options may not exceed 50% of the funds held by the officer and available for investment. The bill provides other investment restrictions

State Agencies Affected: State Treasurer.

Local Agencies Affected: Municipal corporation or a special taxing district.

Information Sources: