

1 **HOUSE OF REPRESENTATIVES - FLOOR VERSION**

2 STATE OF OKLAHOMA

3 1st Session of the 59th Legislature (2023)

4 COMMITTEE SUBSTITUTE
5 FOR
6 HOUSE BILL NO. 2538

By: Lawson and **Lepak**

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8 COMMITTEE SUBSTITUTE

9 An Act relating to public finance; amending 62 O.S.
10 2021, Section 348.1, which relates to authorized
11 investments; modifying investment procedures relating
12 to local governments; amending 62 O.S. 2021, Section
13 348.3, which relates to written investment policies;
14 modifying authorized investments; and providing an
15 effective date.

16 BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

17 SECTION 1. AMENDATORY 62 O.S. 2021, Section 348.1, is
18 amended to read as follows:

19 Section 348.1 A. Except as otherwise provided for by law, a
20 county treasurer, when authorized by the board of county
21 commissioners by a written investment policy, ordinance or
22 resolution or the treasurer of any city or town, when authorized by
23 the appropriate governing body by a written investment policy,
24 ordinance or resolution, shall invest monies in the custody of the
treasurer in:

1 1. Direct obligations of the United States Government, its
2 agencies or instrumentalities to the payment of which the full faith
3 and credit of the Government of the United States is pledged, or
4 investment grade obligations of this state; provided, that any such
5 security shall be rated A+ or better by Standard and Poor's
6 Corporation or A1 or better by Moody's Investor Service or an
7 equivalent investment grade by a securities ratings organization
8 accepted by the National Association of Insurance Commissioners
9 including investment grade obligations of state agencies;

10 2. Collateralized or insured certificates of deposits of
11 savings and loan associations, banks, savings banks and credit
12 unions located in this state when the certificates of deposit are
13 secured by acceptable collateral as provided by law, or fully
14 insured certificates of deposit at banks, savings banks, savings and
15 loan associations and credit unions located out of state;

16 3. Savings accounts or savings certificates of savings and loan
17 associations, banks, and credit unions to the extent that the
18 accounts or certificates are fully insured by the Federal Deposit
19 Insurance Corporation;

20 4. Investments as authorized by Section 348.3 of this title
21 which are fully collateralized in investments specified in
22 paragraphs 1 through 3 of this ~~section~~ subsection, and where the
23 collateral has been deposited with a trustee or custodian bank in an
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1 irrevocable trust or escrow account established for such purposes;
2 ~~or~~

3 5. County, municipal or school district direct debt obligation
4 for which an ad valorem tax may be levied or bond and revenue
5 anticipation notes, money judgments against such county,
6 municipality or school district ordered by a court of record or
7 bonds or bond and revenue anticipation notes issued by a public
8 trust for which such county, municipality or school district is a
9 beneficiary thereof. All collateral pledged to secure public funds
10 shall be valued at no more than market value. The income received
11 from that investment may be placed in the general fund of the
12 governmental subdivision to be used for general governmental
13 operations, the sinking fund, the building fund, or the fund from
14 which the investment was made; or

15 6. Qualified pooled investment programs, the investments of
16 which consist of those items specified in paragraphs 1 through 5 of
17 this section. To be qualified, a pooled investment program for
18 county funds or for city or town funds or a combination thereof must
19 be governed through an interlocal cooperative agreement formed
20 pursuant to Sections 1001 through 1008 of Title 74 of the Oklahoma
21 Statutes. Prior to participating in a qualified pooled investment
22 program, the governing body of such county, city or town must
23 authorize participation through its written investment policy.

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1 B. The provisions of this section shall not apply to
2 investments made by organizations of municipalities created for the
3 purpose of securing benefits and services relating to insurance for
4 Oklahoma municipalities or other political subdivisions.

5 SECTION 2. AMENDATORY 62 O.S. 2021, Section 348.3, is
6 amended to read as follows:

7 Section 348.3 A. In addition to the investments authorized by
8 Section 348.1 of this title, the governing body of a city or of a
9 county or the governing board of a qualified pooled investment
10 program established pursuant to paragraph 6 of subsection A of
11 Section 348.1 of this title may adopt a written investment policy
12 directing the investment of the funds of the city or town or county
13 and any of its public trusts or authorities or of the qualified
14 pooled investment program. If such a policy is adopted by the
15 governing body, such funds shall be invested pursuant to the
16 provisions of the policy. The written policy shall address
17 liquidity, diversification, safety of principal, yield, maturity and
18 quality and capability of investment management, with primary
19 emphasis on safety and liquidity. To the extent practicable, taking
20 into account the need to use sound investment judgment, the written
21 investment policies shall include provision for utilization of a
22 system of competitive bidding in the investment of municipal funds.
23 The system shall be designed to maximize yield within each class of
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1 investment instrument consistent with the safety of the funds
2 invested.

3 B. The written investment policy may authorize the city
4 treasurer or county treasurer or of the qualified pooled investment
5 program to purchase and invest in any or all of the following:

6 1. Obligations of the United States government, its agencies
7 and instrumentalities, or investment grade obligations of this
8 state; provided, that any such security shall be rated A+ or better
9 by Standard and Poor's Corporation or A1 or better by Moody's
10 Investor Service or an equivalent investment grade by a securities
11 ratings organization accepted by the National Association of
12 Insurance Commissioners including investment grade obligations of
13 state agencies;

14 2. Collateralized or insured certificates of deposit and other
15 evidences of deposit at banks, savings banks, savings and loan
16 associations and credit unions located in this state, or fully
17 insured certificates of deposit at banks, savings banks, savings and
18 loan associations and credit unions located out of state;

19 3. Negotiable certificates of deposit issued by a nationally or
20 state-chartered bank, a savings bank, a savings and loan association
21 or a state-licensed branch of a foreign bank. Purchases of
22 negotiable certificates of deposit shall not exceed ten percent
23 (10%) of the surplus funds of the city or county which may be
24 invested pursuant to this section, however the restrictions in this

1 paragraph shall not apply to purchases of negotiable certificates of
2 deposit by qualified pooled investment programs established under
3 paragraph 6 of subsection A of Section 341.1 of this title. Not
4 more than one-half (1/2) of the ten percent (10%) limit shall be
5 invested in any one financial institution specified in this
6 paragraph,

7 4. Prime banker's acceptances which are eligible for purchase
8 by the Federal Reserve System and which do not exceed two hundred
9 seventy (270) days' maturity. Purchases of prime banker's
10 acceptances shall not exceed ten percent (10%) of the surplus funds
11 of the city or county which may be invested pursuant to this
12 section, however the restrictions in this paragraph shall not apply
13 to purchases of prime banker's acceptances by qualified investment
14 programs established under paragraph 6 of subsection A of Section
15 341.1 of this title. Not more than one-half (1/2) of the ten
16 percent (10%) limit shall be invested in any one commercial bank
17 pursuant to this paragraph,

18 5. Prime commercial paper which shall not have a maturity that
19 exceeds one hundred eighty (180) days nor represent more than ten
20 percent (10%) of the outstanding paper of an issuing corporation.
21 Purchases of prime commercial paper shall not exceed seven and one-
22 half percent (7 1/2%) of the surplus funds of the city or county
23 which may be invested pursuant to this section, however the
24 restrictions in this paragraph shall not apply to purchases of prime

1 commercial paper by qualified pooled investment programs established
2 under paragraph 6 of subsection A of Section 341.1 of this title;

3 6. Repurchase agreements that have underlying collateral
4 consisting of those items specified in paragraphs 1 through 5 of
5 this subsection; and

6 7. Money market funds regulated by the Securities and Exchange
7 Commission and which investments consist of those items and those
8 restrictions specified in paragraphs 1 through 6 of this subsection.

9 C. Investments shall be made with judgment and care, under
10 circumstances then prevailing, which persons of prudence, discretion
11 and intelligence exercise in the management of their own affairs,
12 not for speculation, but for investment, considering the probable
13 safety of their capital as well as the probable income to be
14 derived.

15 SECTION 3. This act shall become effective November 1, 2023.

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17 COMMITTEE REPORT BY: COMMITTEE ON RULES, dated 03/02/2023 - DO PASS,
18 As Amended and Coauthored.

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