OHIO LEGISLATIVE SERVICE COMMISSION

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Fiscal Note & Local Impact Statement

Bill: S.B. 163 of the 132nd G.A.

Status: As Reported by House Government Accountability and Oversight

Sponsor: Sen. Wilson

Local Impact Statement Procedure Required: No

Subject: To modify the qualifications regarding notes eligible for investment of county inactive moneys

State & Local Fiscal Highlights

- Permissive in nature, the bill eases restrictions placed on county governments in relation to investments made in corporate bonds and depository institution bonds. Easing the restrictions would allow county governments to place a percentage of certain funds in financial assets that typically have higher returns but that are generally viewed as having a greater risk of loss.
- No direct fiscal effect on the state.

Detailed Fiscal Analysis

The bill modifies the minimum credit quality standard and the maximum maturity requirements for permissible corporate notes in which a county investing authority may invest its inactive moneys and money in the county public library fund. Under the bill, a county investing authority is allowed to invest in corporate notes that (a) are rated in any of the three highest categories by at least two nationally recognized standard rating services at the time of purchase, and (b) mature not later than three years after purchase.

Under existing law, a county investing authority is allowed to invest up to 15% of the county's total average portfolio in notes issued by corporations that are incorporated under the laws of the United States, or by depository institutions that are doing business under authority granted by the United States or any state.[1] Currently, such notes must (a) have obtained the second or higher rating category by at least two nationally recognized standard rating services at the time of purchase, and (b) be within two years of maturity at the time of purchase.

[1] In each case the business must also be operating within the United States. Also, the 15% threshold is unchanged by the bill.

Fiscal effect

If a county investing authority elected to invest in corporate notes that receive a weaker credit quality rating or with longer maturity than the currently permissible notes it may result in an increase or decrease in a county's investment earnings. Both bonds that are lower rated and those that have longer maturities typically allow for higher returns on investment, but they are also generally viewed as having a greater risk of loss. Investment gains or losses depend on many factors, including available funds for investment, market conditions, investment strategy, and risk-return tradeoff. In general, safety and liquidity are the main objectives of a public fund investor.

The bill has no direct fiscal effect on the state and most political subdivisions.

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