OHIO LEGISLATIVE SERVICE COMMISSION

Bill Analysis

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S.B. 163

132nd General Assembly
(As Introduced)

Sens. Wilson, Terhar, Beagle, Williams, Eklund, Huffman, Hackett

BILL SUMMARY

- Expands the categories of domestic corporate and U.S. depository institution bonds in which a county may invest its inactive funds.
- Allows a county to invest in bonds rated in the top three credit rating categories, as opposed to the top two under current law, by at least two credit rating agencies.
- Permits a county to invest in bonds with a maturity date that is no more than three years, as opposed to two years, from the date of purchase.

CONTENT AND OPERATION

The bill expands the categories of domestic corporate and U.S. depository institution bonds in which a county may invest its inactive funds. (Corporations and depository institutions, such as banks, issue these types of bonds to finance their operations or specific projects.) Under continuing law, unchanged by the bill, a county may invest up to 15% of its total average portfolio in such bonds.

Under the bill, a county may invest in a bond that is rated in the top three categories, as opposed to the top two categories under current law, by at least two credit rating agencies. A bond's rating indicates the risk that the bond issuer will not meet its financial obligations, as assessed by the agency. To illustrate, the table below shows the top three bond rating categories as designated by the three largest credit rating agencies. In the second and third categories, each agency assigns modifiers such as "1" or "+" to indicate rankings within the categories.

Category	Moody's[1]	Standard & Poor's[2]	Fitch[3]
1 Permitted under continuing law	Aaa Lowest risk	AAA Extremely strong capacity to meet obligations	AAA Lowest risk
2 Permitted under continuing law	Aa1, Aa2, Aa3 Very low risk	AA+, AA, AA- Very strong capacity to meet obligations	AA+, AA, AA- Very low risk
3 Permitted under the bill	A1, A2, A3 Low risk	A+, A, A- Strong capacity to meet obligations	A+, A, A- Low risk

Additionally, the bill allows a county to invest in bonds that mature no later than three years, as opposed to two years, from the bond's purchase date. A bond's maturity date is the date on which the principal is repaid to investors.[4] As such, the bill authorizes investment in bonds that take longer to recoup.[5]

HISTORY

ACTION	DATE
Introduced	06-13-17

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[1] Moody's Investors Service, *Rating Symbols and Definitions* at 7, available at moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004, accessed June 16, 2017.

[2] S&P Global Ratings, *RatingsDirect*, "S&P Global Ratings Definitions" at 4, available at img.en25.com/Web/StandardPoorsRatings/RatingsDirect_Commentary_1695715_Sep-13-2016_15_16.pdf, accessed June 16, 2017.

[3] Fitch Ratings, *Rating Definitions* at 17, available at fitchratings.com/site/dam/jcr:6b03c4cd-611d-47ec-b8f1-183c01b51b08/Rating%20Definitions%20-%20March%2017%202017.pdf, accessed June 16, 2017.

[4] Investopedia, *Maturity Date*, available at investopedia.com/terms/m/maturitydate.asp, accessed June 16, 2017.

[5] R.C. 135.35(A)(9).