



OHIO LEGISLATIVE SERVICE COMMISSION

Final Analysis

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S.B. 163

132nd General Assembly
(As Passed by the General Assembly)

Sens. Wilson, Terhar, Beagle, Williams, Eklund, Huffman, Hackett, Coley, Uecker, Brown, Bacon, Balderson, Burke, Dolan, Gardner, Hite, Hoagland, Hottinger, Jordan, Kunze, Lehner, Manning, Obhof, O'Brien, Oelslager, Schiavoni, Skindell, Tavares, Thomas

Reps. Dever, Hughes, Brenner, Anielski, Boyd, Craig, Gavarone, Green, Hambley, Holmes, Manning, Miller, Patton, Perales, Reineke, Rezabek, Rogers, Romanchuk, Ryan, Scherer, Thompson, West, Wiggam, Young

Effective date: September 28, 2018

ACT SUMMARY

- Expands the categories of domestic corporate and U.S. depository institution bonds in which a county may invest its inactive funds by allowing a county to invest in bonds rated in the three highest credit rating categories, rather than the two highest under prior law.
- Permits a county to invest its inactive funds in bonds with a maturity date that is no more than three years, rather than two years under prior law, from the date of purchase.

CONTENT AND OPERATION

The act 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 act, a county may invest up to 15% of its total average portfolio in these types of bonds.

Under the act, a county may invest in a bond that is rated in the top three categories, rather than the top two categories as under prior law, by at least two credit rating agencies. A bond's rating indicates the risk that the bond issuer will not meet its

* This version updates the effective date.

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
Highest (Permitted under continuing law)	Aaa Lowest risk	AAA Extremely strong capacity to meet obligations	AAA Lowest risk
Second highest (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
Third highest (Permitted under the act)	A1, A2, A3 Low risk	A+, A, A- Strong capacity to meet obligations	A+, A, A- Low risk

Additionally, the act allows a county to invest in bonds that mature no later than three years, rather than two years as under prior law, 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 act authorizes investment in bonds that take longer to recoup.⁵

HISTORY

ACTION	DATE
Introduced	06-13-17
Reported, S. Gov't Oversight & Reform	09-20-17
Passed Senate (32-0)	09-20-17
Reported, H. Financial Institutions, Housing, and Urban Development	11-01-17
Re-referred by H. Rules & Reference	11-28-17
Reported, H. Gov't Accountability & Oversight	03-21-18
Passed House (87-1)	06-07-18

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

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.

³ Fitch Ratings, *Rating Definitions* at 17-18, available at fitchratings.com/site/dam/jcr:6b03c4cd-611d-47ec-b8f1-183c01b51b08/Rating%20Definitions%20-%20March%2017%202017.pdf.

⁴ Investopedia, *Maturity Date*, available at investopedia.com/terms/m/maturitydate.asp.

⁵ R.C. 135.35(A)(9).

