An Act

ENROLLED HOUSE
BILL NO. 2538

By: Lawson, Lepak, and Cantrell of the House

and

Kidd of the Senate

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

SUBJECT: Public finance

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

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

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

1. Direct obligations of the United States Government, its agencies or instrumentalities to the payment of which the full faith and credit of the Government of the United States is pledged, or investment grade obligations of this state; provided, that any such security shall be rated A+ or better by Standard and Poor's Corporation or A1 or better by Moody's Investor Service or an

equivalent investment grade by a securities ratings organization accepted by the National Association of Insurance Commissioners including investment grade obligations of state agencies;

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

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

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

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

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

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

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

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

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

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

2. Collateralized or insured certificates of deposit and other evidences of deposit at banks, savings banks, savings and loan associations and credit unions located in this state, or fully

insured certificates of deposit at banks, savings banks, savings and loan associations and credit unions located out of state;

3. Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings bank, a savings and loan association or a state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposit shall not exceed ten percent (10%) of the surplus funds of the city or county which may be invested pursuant to this section, however the restrictions in this paragraph shall not apply to purchases of negotiable certificates of deposit by qualified pooled investment programs established under paragraph 6 of subsection A of Section 348.1 of this title. Not more than one-half (1/2) of the ten percent (10%) limit shall be invested in any one financial institution specified in this paragraph;

4. Prime banker's acceptances which are eligible for purchase by the Federal Reserve System and which do not exceed two hundred seventy (270) days' maturity. Purchases of prime banker's acceptances shall not exceed ten percent (10%) of the surplus funds of the city or county which may be invested pursuant to this section, however the restrictions in this paragraph shall not apply to purchases of prime banker's acceptances by qualified investment programs established under paragraph 6 of subsection A of Section 348.1 of this title. Not more than one-half (1/2) of the ten percent (10%) limit shall be invested in any one commercial bank pursuant to this paragraph;

5. Prime commercial paper which shall not have a maturity that exceeds one hundred eighty (180) days nor represent more than ten percent (10%) of the outstanding paper of an issuing corporation. Purchases of prime commercial paper shall not exceed seven and one-half percent (7 1/2%) of the surplus funds of the city or county which may be invested pursuant to this section, however the restrictions in this paragraph shall not apply to purchases of prime commercial paper by qualified pooled investment programs established under paragraph 6 of subsection A of Section 348.1 of this title;

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

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

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

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

Passed the House of Representatives the 14th day of March, 2023.

Kyle Hilbert

Presiding Officer of the House of Representatives

Passed the Senate the 19th day of April, 2023.

Brent Howard

Presiding Officer of the Senate

OFFICE OF THE GOVERNOR

Received by the Office of the Governor this 20th day of April, 20 23, at 3:15 o'clock p. M.

By: [signature]

Approved by the Governor of the State of Oklahoma this 26th day of April, 20 23, at 1:18 o'clock p. M.

[signature]

Governor of the State of Oklahoma

OFFICE OF THE SECRETARY OF STATE

Received by the Office of the Secretary of State this 26th day of April, 20 23, at 2:41 o'clock P. M.

By: Brian Bingman