OHIO LEGISLATIVE SERVICE COMMISSION

Bill Analysis

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H.B. 46

132nd General Assembly
(As Introduced)

Reps. Sprague, Arndt, Blessing, Dean, Henne, Schaffer, Seitz

BILL SUMMARY

- Eases restrictions placed on county governments in relation to investments made in corporate bonds and depository institution bonds.
- Authorizes investment in corporate and depository institution 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.
- Authorizes investment in corporate and depository institution 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 amends the white list of authorized investments available for counties to invest inactive funds and amounts in the county's public library fund. A "white list" is a list of investment types that a government entity is limited to investing in under law. Such a white list may or may not impose diversification restrictions, i.e. the white list may limit investment in a particular investment type to a specified percentage of overall funds.

The bill eases restrictions placed on county governments in relation to investments made in domestic corporate and U.S. depository institution bonds. Such bonds are used to finance the issuer's operations or specific projects. Under continuing law, unchanged by the bill, county governments are authorized to invest up to 15% of the county's total average portfolio in such bonds.

Under the bill, such an investment could be made in a bond that is rated in the top three categories, as opposed to the top two under current law, by at least two credit rating agencies. Credit rating agencies assess the risk of certain types of investments. For example, a bond with an AAA credit rating would be a very conservative investment and have a very low probability of default. The bill would authorize investing in bonds with an AA, AA+, and AAA investments, whereas current law only allows AA+ and AAA. As such the bill authorizes investment in bonds that hold higher risk.[1]

Additionally, the bill authorizes investment 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.[2] As such, the bill authorizes county governments to invest in bonds that take longer to recoup.[3]

HISTORY

ACTION	DATE
Introduced	02-07-17

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[1] Investopedia, *Credit Quality*, http://www.investopedia.com/terms/i/investmentgrade.asp (accessed March 6, 2017).

[2] Investopedia, *Maturity Date*, http://www.investopedia.com/terms/m/maturitydate.asp (accessed March 6, 2017).

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