

# Senate Local Government Committee



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## **HOUSE BILL 1296 (HARPER)**

### **SYNOPSIS:**

Amends Act 53 of 1973 by expanding the permissible financial products available for investment by public corporations and municipal authorities.

### **SUMMARY:**

Act 53 of 1973 authorizes cities of the first and second class to invest funds. House Bill 1296 amends Act 53 by expanding the list of permissible investment products available to municipal authorities and “public corporations,” as defined by Act 581 of 1929 relating to municipal indebtedness. By this cross-reference the investment products in House Bill 1296 are also available to “any county, city, borough, township, school district, or other municipality or incorporated district of this Commonwealth.”

### **Investment Products**

House Bill 1296 authorizes the following investment products available to public corporations:

1. Obligations, participations or other instruments of any Federal agency, instrumentality or United States government-sponsored enterprise if the debt obligations are rated at least “A” or its equivalent by at least two nationally recognized statistical ratings organizations.
2. Repurchase agreements with respect to United States Treasury bills or obligations, participations or other instruments of or guaranteed by the United States or any Federal agency, instrumentality or United States government-sponsored enterprise.
3. Negotiable certificates of deposit or other evidences of deposit, with a remaining maturity of three years or less, issued by a nationally or State-chartered bank, a Federal or State savings and loan association or a State-licensed branch of a foreign bank.
  - For obligations with a maturity of one year or less, the debt obligations of the issuing institution or its parent must be rated in the top short-term rating category by at least two nationally recognized statistical ratings organizations
  - For obligations with a maturity in excess of one year, the senior debt obligations of the issuing institution or its parent must be rated at least “A” or its equivalent by at least two nationally recognized statistical ratings organizations.
4. Bills of exchange or time drafts drawn and accepted by a commercial bank, otherwise known as bankers’ acceptances, if the bankers’ acceptances do not exceed 180 days maturity and the accepting bank is rated in the top short-term category by at least two nationally recognized statistical rating organizations.
5. Commercial paper issued by corporations or other business entities organized in accordance with Federal or State law, with a maturity not to exceed 270 days, if the issuing corporation or business entity is rated in the top short-term category by at least two nationally recognized statistical ratings organizations.
6. Shares of an investment company registered under the Investment Company Act of 1940 whose shares are registered under the Securities Act of 1933, if all of the following conditions are met:

- The investments of the company are authorized investments under this legislation.
  - The investment company is managed in accordance with Federal regulations relating to money market funds.
  - The investment company is rated in the highest category by a nationally recognized rating agency.
7. Savings or demand deposits made in accordance with the following conditions:
- The money is initially deposited and invested through a federally insured institution having a place of business in the Commonwealth, which is selected by the public corporation or municipal authority.
  - The selected institution arranges for the redeposit of the money in savings or demand deposits in one or more financial institutions insured by the Federal Deposit Insurance Corporation, for the account of the public corporation or municipal authority.
  - The full amount of principal and any accrued interest of each such deposit is insured by the Federal Deposit Insurance Corporation.
  - On the same date that the money is redeposited pursuant, the selected institution receives an amount of deposits from customers of other financial institutions equal to or greater than the amount of money initially invested by the public corporation or municipal authority.

#### Annual Investment Report

A local government investment trust or pool that makes investments authorized by this legislation would be required to file an annual investment report for the previous fiscal year with the Department of Community and Economic Development. The report shall be available to the public during normal business hours and may be posted on the Internet. The report shall include a listing of each investment purchased during the previous fiscal year that shows the issuer, date of purchase, maturity date, par amount, cost, yield to maturity at the time of purchase, broker/dealer from which the investment was purchased, and any separately stated fees related to the purchase of the investment and the name of the party receiving the fee.

Effective Date: 60 days.

#### **BILL HISTORY:**

Passed by the House of Representatives on September 21, 2015.