

  
*Colorado Legislative Council Staff Fiscal Note*  
**FINAL**  
**FISCAL NOTE**

**Drafting Number:** LLS 12-0458  
**Prime Sponsor(s):** Rep. Pabon  
 Sen. Harvey

**Date:** July 24, 2012  
**Bill Status:** Signed into Law  
**Fiscal Analyst:** Kirk Mlinek (303-866-4782)

**TITLE:** CONCERNING INVESTMENT OF PUBLIC FUNDS.

Fiscal Impact Summary	FY 2012-2013	FY 2013-2014
State Revenue		
State Expenditures		
FTE Position Change		
<b>Effective Date:</b> The bill was signed into law by the Governor and took effect March 7, 2012.		
<b>Appropriation Summary for FY 2012-2013:</b> None required.		
<b>Local Government Impact:</b> See Local Government section.		

**Summary of Legislation**

The bill specifies that it is legal to invest public funds in any *nonsubordinated* corporate or bank security that:

- is denominated in United States dollars;
- matures within 3 years from the date of settlement;
- at the time of purchase carries at least 2 credit ratings from any of the nationally recognized organizations that regularly rates such securities;
- is not rated below A1, P1, or F1 by any such rating organization if the security is a money market instrument such as commercial paper or bankers' acceptance, or is not rated below AA- or Aa3 by any such rating agency if the security is any other kind of security; and
- is issued by a corporation or bank that is not organized and operated within the United States unless the governing body of the public body authorizes such investment.

**Background**

Under current law, various public entities may invest in securities that *only* have received AAA ratings and must have received AAA ratings from two ratings agencies. Standard and Poor's (S&P) recent downgrade of the federal government to AA+ means that its government-backed securities are rated AAA by two organizations and AA+ by one rating organization. Therefore, under current law, public entities such as local governments may not invest in federal government-backed securities.

**State Revenue and Expenditures**

Investment of state moneys by the state treasurer is governed by Section 24-36-113, C.R.S. The bill does not affect the state treasurer nor other state agencies and, as such, does not affect state revenues or expenditures.

**Local Government Impact**

The bill will permit public entities to continue to invest in federal government-backed securities. Government-backed securities are the highest yielding investments available to local governments, and, absent the bill, investment income would likely decline at the local level.

**Departments Contacted**

All