

HB49 INTRODUCED



1 EQPL92-1
2 By Representative Ingram
3 RFD: State Government
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SYNOPSIS:

The Office of the State Treasurer is responsible for managing the investment of state monies.

This bill would create the Alabama Local Government Investment Pool Program within the Office of the State Treasurer to provide one or more investment pools in which state and local public entities may deposit monies for investment in the program to be administered by the treasurer.

This bill would set parameters on types of investments that the State Treasurer may include in the program.

This bill would require the State Treasurer to disclose certain information relating to the program to participants in the program as well as to the public.

This bill would allow administrative expenses relating to the program to be paid from program earnings and authorize the treasurer to contract with certain professionals to assist in the administration of the program.

This bill would establish the Alabama Local Government Investment Advisory Board to advise the State Treasurer in the administration of the program and would provide for the membership of the board.



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A BILL
TO BE ENTITLED
AN ACT

Relating to the State Treasurer; to create the Alabama Local Government Investment Pool Program within the Office of the State Treasurer to allow state and local public entities to deposit monies in an investment pool administered by the treasurer; to provide parameters for investments; to authorize the treasurer to take certain actions to administer the program; to establish the Alabama Local Government Investment Advisory Board and provide for its membership and duties; and to provide further for the Office of the State Treasurer's travel expenses.

BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

Section 1. As used in this act, the following terms have the following meanings:

(1) BOARD. The Alabama Local Government Advisory Board created pursuant to Section 5.

(2) COVERED PUBLIC ENTITY. A covered public entity as defined in Section 41-14A-2, Code of Alabama 1975.

(3) COVERED PUBLIC OFFICIAL. A covered public official as defined in Section 41-14A-2, Code of Alabama 1975.

(4) ELIGIBLE INVESTMENT. Any of the following:
a. Direct obligations of the United States government.
b. Obligations fully insured or guaranteed by the United States government or a federal agency, including



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57 collateralized mortgage obligations and mortgage-backed
58 securities.

59 c. Obligations of any federal government-sponsored
60 enterprise (GSE), including collateralized mortgage
61 obligations and mortgage-backed securities.

62 d. Repurchase agreements that are fully collateralized
63 by any security described in paragraphs a. through c.

64 e. Commercial paper rated A-1, P-1, or higher at the
65 time of purchase.

66 f. Money market mutual funds invested in any security
67 described in paragraphs a. through e.

68 g. Negotiable certificates of deposit denominated in
69 United States dollars with an issuer credit rating of at least
70 AA1 or Aa3, or its equivalent, by at least two nationally
71 recognized statistical ratings organizations.

72 h. Certificates of deposit placed in any qualified
73 public depository, and secured as such, under Chapter 14A of
74 Title 41, Code of Alabama 1975.

75 (5) PARTICIPANT. A covered public entity or covered
76 public official that is eligible to participate in the
77 program.

78 (6) POOL. A local government investment pool created
79 under the program.

80 (7) PROGRAM. The Alabama Local Government Investment
81 Pool Program.

82 (8) TREASURER. The State Treasurer of Alabama.

83 Section 2. (a) The Alabama Local Government Investment
84 Pool Program is created within the office and custody of the



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85 treasurer. The program consists of the aggregate of all funds
86 from participants which are deposited in one or more pools as
87 provided in this act.

88 (b) The purpose of the program is to provide one or
89 more investment pools, each established by the treasurer,
90 which are available to participants for the joint investment
91 of monies held by participants, in order to enhance investment
92 opportunities and earnings while maintaining principal
93 preservation, safety, and liquidity.

94 Section 3. (a) A participant may invest and reinvest
95 any monies subject to the participant's control and
96 jurisdiction in a pool, and the pool is and shall be a
97 permitted investment for such monies. The authority to invest
98 such monies in a pool shall be in addition to any other powers
99 or authority of a participant to invest such monies under
100 state law.

101 (b) Monies deposited in a pool by participants other
102 than the treasurer are not and shall not become part of State
103 Treasury funds.

104 (c) All monies deposited in a pool shall be held in a
105 trust account or accounts, and segregated for custodial,
106 depository, and accounting purposes.

107 (d) A covered public entity may invest into a pool the
108 proceeds from any bonds, warrants, notes, or other securities
109 or evidences of indebtedness, regardless of when issued or
110 incurred, for purposes of investment or reinvestment of such
111 proceeds, and the pool is and shall be a permitted investment
112 for such proceeds. The authority to invest such proceeds shall



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113 be in addition to any other powers or authority of a covered
114 public entity to invest such proceeds under state law.

115 (e) If authorized to do so in writing by a participant,
116 a financial institution, bank, or trustee may undertake pool
117 transactions for, or on behalf of, and otherwise invest funds
118 of, a participant.

119 (f) Specific participant information is confidential
120 and shall not be considered a public record for purposes of
121 Article 3 of Chapter 12 of Title 36, Code of Alabama 1975.

122 Section 4. (a) The treasurer shall administer the
123 program on behalf of participants, subject to rules,
124 regulations, and guidelines established by the treasurer. The
125 facilities and resources of the office of the treasurer shall
126 be used and employed in the administration of the program.

127 (b) The treasurer shall do both of the following:

128 (1) Establish and make public all of the following:

129 a. Each pool information statement, which shall
130 include, at a minimum, all of the following:

131 1. Specification of minimum and maximum amounts that
132 may be deposited by participants and minimum periods of time
133 for which deposits shall be retained in the pool.

134 2. Payment of administrative expenses from the earnings
135 of the pool.

136 3. Distribution of the earnings in excess of
137 administrative expenses, or allocation of losses, to the
138 participants in a manner that equitably reflects the differing
139 amounts and terms of each participant's investment in the
140 pool.



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141 4. Description of a reserve, if created.

142 5. Procedures for the deposit and withdrawal of funds.

143 6. A description of participant transaction
144 confirmations and reports showing the activity, performance,
145 and composition of participants' investments.

146 b. Each pool investment policy statement that includes
147 goals and objectives and defines which eligible investments
148 are permitted.

149 c. Participation agreements, and any other procedures,
150 policies, guidelines, and statements necessary and proper for
151 the efficient administration of each pool.

152 d. Subject to Section 3(f), an annual report of the
153 program which includes trust information, in total.

154 (2) Adopt rules and regulations as necessary to
155 implement this act, either with or without compliance with the
156 Alabama Administrative Procedure Act.

157 (c) The treasurer may contract with accountants,
158 attorneys, money managers, program administrators, investment
159 advisors, and other professional service providers to make
160 available program management services, custody services, legal
161 compliance services, accounting services, marketing services,
162 and other services necessary for the administration of the
163 program. All contracts awarded for the administration of the
164 program may be for periods not exceeding seven years.

165 (d) The treasurer may promote, educate, advertise, and
166 market the program as may be necessary for the performance of
167 the duties required by this act, including the authority to
168 perform incidental actions necessary for educational and



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169 promotional purposes.

170 (e) The treasurer may appoint one additional employee
171 in the exempt service to manage the program.

172 Section 5. (a) (1) There is created the Alabama Local
173 Government Investment Advisory Board, consisting of the
174 following members:

175 a. The treasurer, who shall be a standing, permanent
176 member of the board and shall serve as chair.

177 b. Two members who are qualified by training and
178 experience in the field of investment or finance, appointed by
179 the treasurer.

180 c. Four members who are each an employee of a
181 participant that, as of the date of appointment, has funds
182 invested in the program or has adopted an ordinance or
183 resolution to invest its funds in the program, appointed by
184 the treasurer.

185 (2) The treasurer shall stagger the terms of the
186 initial members, but for subsequent appointments, each member
187 shall serve a term of four years and may be eligible for
188 reappointment. Any vacancy occurring other than by expiration
189 of term shall be filled by appointment by the treasurer to
190 serve for the remainder of the unexpired term.

191 (3) When appointing employees of participants to the
192 board, the treasurer shall consider factors that reflect the
193 racial, gender, geographic, urban, rural, and economic
194 diversity of the state.

195 (4) Members of the board shall serve without
196 compensation, but may be reimbursed for each days' official



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197 duties of the board at the same per diem and travel rate as is
198 paid employees of the state.

199 (b) The board's primary purpose is in an advisory
200 capacity to the treasurer to provide recommendations and
201 information, and to review rules, policies, and agreements
202 related to the program, and advise therein as the board
203 considers necessary or desirable. The board may consult the
204 treasurer on any matter relating to the investment of monies
205 in the program. The board shall assist in offering the program
206 to participants through publications and other appropriate
207 means.

208 (c) (1) Board meetings may be held quarterly, or as
209 called by the chair.

210 (2) The board and all board proceedings shall be
211 subject to the Alabama Open Meetings Act, except that any
212 member of the board or of a committee who participates in a
213 meeting by telephone conference, video conference, or similar
214 communications equipment shall be considered present for
215 purposes of a quorum, regardless of the number of members
216 physically present at the meeting.

217 (d) The treasurer may appoint to the board such
218 officers as he or she deems necessary.

219 Section 6. Individuals traveling in the state to
220 promote or market any program that is administered by the
221 Office of the Treasurer shall be allowed all of their actual
222 and necessary expenses, in addition to the actual expenses for
223 transportation.

224 Section 7. This act shall become effective immediately



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225 following its passage and approval by the Governor, or its
226 otherwise becoming law.