

1 AN ACT relating to investments made by local governments.

2 ***Be it enacted by the General Assembly of the Commonwealth of Kentucky:***

3 ➔Section 1. KRS 66.480 is amended to read as follows:

4 (1) The governing body of a city, county, urban-county, charter county, school district
5 (provided that its general procedure for action is approved by the Kentucky Board
6 of Education), or other local governmental unit or political subdivision, may invest
7 and reinvest money subject to its control and jurisdiction in:

8 (a) Obligations of the United States and of its agencies and instrumentalities,
9 including obligations subject to repurchase agreements, if delivery of these
10 obligations subject to repurchase agreements is taken either directly or through
11 an authorized custodian. These investments may be accomplished through
12 repurchase agreements reached with sources including but not limited to
13 national or state banks chartered in Kentucky;

14 (b) Obligations and contracts for future delivery or purchase of obligations backed
15 by the full faith and credit of the United States or a United States government
16 agency, including but not limited to:

- 17 1. United States Treasury;
- 18 2. Export-Import Bank of the United States;
- 19 3. Farmers Home Administration;
- 20 4. Government National Mortgage Corporation; and
- 21 5. Merchant Marine bonds;

22 (c) Obligations of any corporation of the United States government, including but
23 not limited to:

- 24 1. Federal Home Loan Mortgage Corporation;
- 25 2. Federal Farm Credit Banks;
- 26 3. Bank for Cooperatives;
- 27 4. Federal Intermediate Credit Banks;

- 1 5. Federal Land Banks;
- 2 6. Federal Home Loan Banks;
- 3 7. Federal National Mortgage Association; and
- 4 8. Tennessee Valley Authority;
- 5 (d) Certificates of deposit issued by or other interest-bearing accounts of any bank
- 6 or savings and loan institution which are insured by the Federal Deposit
- 7 Insurance Corporation or similar entity or which are collateralized, to the
- 8 extent uninsured, by any obligations, including surety bonds, permitted by
- 9 KRS 41.240(4);
- 10 (e) Uncollateralized certificates of deposit issued by any bank or savings and loan
- 11 institution rated in one (1) of the three (3) highest categories by a
- 12 competent~~[nationally recognized]~~ rating agency, as that term is defined in
- 13 subsection (11) of this section;
- 14 (f) Bankers' acceptances for banks rated in one (1) of the three (3) highest
- 15 categories by a competent~~[nationally recognized]~~ rating agency;
- 16 (g) Commercial paper rated in the highest category by a competent~~[nationally~~
- 17 ~~recognized]~~ rating agency;
- 18 (h) Bonds or certificates of indebtedness of this state and of its agencies and
- 19 instrumentalities;
- 20 (i) Securities issued by a state or local government, or any instrumentality of
- 21 agency thereof, in the United States, and rated in one (1) of the three (3)
- 22 highest categories by a competent~~[nationally recognized]~~ rating agency;~~and]~~
- 23 (j) Shares of mutual funds and exchange traded funds, each of which shall have
- 24 the following characteristics:
 - 25 1. The mutual fund shall be an open-end diversified investment company
 - 26 registered under the Federal Investment Company Act of 1940, as
 - 27 amended;

- 1 2. The management company of the investment company shall have been
2 in operation for at least five (5) years; and
3 3. All of the securities in the mutual fund shall be eligible investments
4 pursuant to this section;

5 **(k) Individual equity securities if the funds being invested are managed by a**
6 **professional investment manager regulated by a federal regulatory agency.**
7 **The individual equity securities shall be included within the Standard and**
8 **Poor's 500 Index, and a single sector shall not exceed twenty-five percent**
9 **(25%) of the equity allocation; and**

10 **(l) Individual high-quality corporate bonds that are managed by a professional**
11 **investment manager that:**

- 12 **1. Are issued, assumed, or guaranteed by a solvent institution created**
13 **and existing under the laws of the United States;**
14 **2. Have a standard maturity of no more than ten (10) years; and**
15 **3. Are rated in the three (3) highest rating categories by at least two (2)**
16 **competent credit rating agencies.**

17 (2) The investment authority provided by subsection (1) of this section shall be subject
18 to the following limitations:

19 (a) The amount of money invested at any time by a local government or political
20 subdivision in **any** one (1) ~~or more~~ of the categories of investments
21 authorized by subsection (1)(e), (f), (g), ~~and (i)~~**(k), and (l)** of this section
22 shall not exceed twenty percent (20%) of the total amount of money invested
23 by the local government;~~and~~

24 (b) **The amount of money invested at any one (1) time by a local government or**
25 **a political subdivision in the categories of investments authorized in**
26 **subsection (1)(j), (k), and (l) of this section shall not, aggregately, exceed**
27 **forty percent (40%) of the total money invested;**

- 1 (b) A list of the permitted types of investments;
- 2 (c) Procedures designed to secure the local government's or political subdivision's
3 financial interest in the investments;
- 4 (d) Standards for written agreements pursuant to which investments are to be
5 made;
- 6 (e) Procedures for monitoring, control, deposit, and retention of investments and
7 collateral;
- 8 (f) Standards for the diversification of investments, including diversification with
9 respect to the types of investments and firms with whom the local government
10 or political subdivision transacts business;
- 11 (g) Standards for the qualification of investment agents which transact business
12 with the local government, such as criteria covering creditworthiness,
13 experience, capitalization, size, and any other factors that make a firm capable
14 and qualified to transact business with the local government or political
15 subdivision; and
- 16 (h) Requirements for periodic reporting to the governing body on the status of
17 invested funds.
- 18 (4) Sheriffs, county clerks, and jailers, who for the purposes of this section shall be
19 known as county officials, may invest and reinvest money subject to their control
20 and jurisdiction, including tax dollars subject to the provisions of KRS Chapter 134
21 and 160.510, as permitted by this section.
- 22 (5) The provisions of this section are not intended to impair the power of a county
23 official, city, county, urban-county, charter county, school district, or other local
24 governmental unit or political subdivision to hold funds in deposit accounts with
25 banking institutions as otherwise authorized by law.
- 26 (6) The governing body or county official may delegate the investment authority
27 provided by this section to the treasurer or other financial officer or officers charged

1 with custody of the funds of the local government, and the officer or officers shall
2 thereafter assume full responsibility for all investment transactions until the
3 delegation of authority terminates or is revoked.

4 (7) All county officials shall report the earnings of any investments at the time of their
5 annual reports and settlements with the fiscal courts for excess income of their
6 offices.

7 (8) The state local debt officer is authorized and directed to assist county officials and
8 local governments, except school districts, in investing funds that are temporarily in
9 excess of operating needs by:

10 (a) Explaining investment opportunities to county officials and local governments
11 through publication and other appropriate means; and

12 (b) Providing technical assistance in investment of idle funds to county officials
13 and local governments that request that assistance.

14 (9) (a) The state local debt officer may create an investment pool for local
15 governments, except school districts, and county officials; and counties and
16 county officials and cities may associate to create an investment pool. If
17 counties and county officials and cities create a pool, each group may select a
18 manager to administer their pool and invest the assets. Each county and each
19 county official and each city may invest in a pool created pursuant to this
20 subsection. Investments shall be limited to those investment instruments
21 permitted by this section. The funds of each local government and county
22 official shall be properly accounted for, and earnings and charges shall be
23 assigned to each participant in a uniform manner according to the amount
24 invested. Charges to any local government or county official shall not exceed
25 one percent (1%) annually on the principal amount invested, and charges on
26 investments of less than a year's duration shall be prorated. Any investment
27 pool created pursuant to this subsection shall be audited each year by an

1 independent certified public accountant, or by the Auditor of Public Accounts.
2 A copy of the audit report shall be provided to each local government or
3 county official participating in the pool. In the case of an audit by an
4 independent certified public accountant, a copy of the audit report shall be
5 provided to the Auditor of Public Accounts, and to the state local debt officer.
6 The Auditor of Public Accounts may review the report of the independent
7 certified public accountant. After preliminary review, should discrepancies be
8 found, the Auditor of Public Accounts may make his or her own investigative
9 report or audit to verify the findings of the independent certified public
10 accountant's report.

11 (b) If the state local debt officer creates an investment pool, he or she shall
12 establish an account in the Treasury for the pool. He or she shall also establish
13 a separate trust and agency account for the purpose of covering management
14 costs, and he or she shall deposit management charges in this account. The
15 state local debt officer may promulgate administrative regulations, pursuant to
16 KRS Chapter 13A, governing the operation of the investment pool, including
17 but not limited to provisions on minimum allowable investments and
18 investment periods, and method and timing of investments, withdrawals,
19 payment of earnings, and assignment of charges.

20 (c) Before investing in an investment pool created pursuant to this subsection, a
21 local government or county official shall allow any savings and loan
22 association or bank in the county, as described in subsection (1)(d) of this
23 section, to bid for the deposits, but the local government or county official
24 shall not be required to seek bids more often than once in each six (6) month
25 period.

26 (10) (a) With the approval of the Kentucky Board of Education, local boards of
27 education, or any of them that desire to do so, may associate to create an

1 investment pool. Each local school board which associates itself with other
2 local school boards for the purpose of creating the investment pool may invest
3 its funds in the pool so created and so managed. Investments shall be limited
4 to those investment instruments permitted by this section. The funds of each
5 local school board shall be properly accounted for, and earnings and charges
6 shall be assigned to each participant in a uniform manner according to the
7 amount invested. Charges to any local school board shall not exceed one
8 percent (1%) annually on the principal amount invested, and charges on
9 investments of less than a year's duration shall be prorated. Any investment
10 pool created pursuant to this subsection shall be audited each year by an
11 independent certified public accountant, or by the Auditor of Public Accounts.
12 A copy of the audit report shall be provided to each local school board
13 participating in the pool. In the case of an audit by an independent certified
14 public accountant, a copy of the audit report shall be provided to the Auditor
15 of Public Accounts, and to the Kentucky Board of Education. The Auditor of
16 Public Accounts may review the report of the independent certified public
17 accountant. After preliminary review, should discrepancies be found, the
18 Auditor of Public Accounts may make his or her own investigative report or
19 audit to verify the findings of the independent certified public accountant's
20 report.

- 21 (b) The Kentucky Board of Education may promulgate administrative regulations
22 governing the operation of the investment pool including but not limited to
23 provisions on minimum allowable investments and investment periods, and
24 methods and timing of investments, withdrawals, payment of earnings, and
25 assignment of charges.

26 (11) As used in this section, "competent rating agency" means a rating agency
27 certified or approved by a national entity that engages in such a process. The

1 certification or approval process shall include but not necessarily be limited to the
 2 following elements the subject rating agency must possess:

3 (a) A requirement for the rating agency to register and provide an annual
 4 updated filing;

5 (b) Record retention requirements;

6 (c) Financial reporting requirements;

7 (d) Policies for the prevention of misuse of material nonpublic information;

8 (e) Policies addressing management of conflicts of interest, including
 9 prohibited conflicts;

10 (f) Prohibited acts practices;

11 (g) Disclosure requirements;

12 (h) Any policies, practices, and internal controls required by the national entity;
 13 and

14 (i) Standards of training, experience, and competence for credit analysts.

15 ➔SECTION 2. A NEW SECTION OF KRS CHAPTER 158 IS CREATED TO
 16 READ AS FOLLOWS:

17 (1) Each public high school shall provide, not less than annually, students in grades
 18 ten (10) through twelve (12) the opportunity to take the Armed Services
 19 Vocational Aptitude Battery (ASVAB) test.

20 (2) Students shall receive counseling relating to the ASVAB test results, which shall
 21 be reflected in, and guided by, any individualized learning plans developed to
 22 guide students to academic and career goals, and the students shall be allowed
 23 access to counseling from the ASVAB Career Exploration Program.

24 (3) Students meeting with a counselor from the ASVAB Career Exploration
 25 Program, consulting with a military recruiter, or pursuing enlistment in a branch
 26 of the Armed Forces of the United States or the Kentucky National Guard shall
 27 be allowed up to four (4) excused absences pursuant to Section 3 of this Act.

1 ➔Section 3. KRS 159.035 is amended to read as follows:

- 2 (1) Notwithstanding the provisions of any other statute, any student in a public school
3 who is enrolled in a properly organized 4-H club shall be considered present at
4 school for all purposes when participating in regularly scheduled 4-H club
5 educational activities, provided, the student is accompanied by or under the
6 supervision of a county extension agent or the designated 4-H club leader for the 4-
7 H club educational activity participated in.
- 8 (2) Notwithstanding the provisions of any other statute, any student in a public school
9 shall be considered present for all purposes for up to ten (10) days while attending
10 basic training required by a branch of the United States Armed Forces.
- 11 (3) Except as provided in paragraph (e) of this subsection, a public school principal
12 shall give a student an excused absence of up to ten (10) school days to pursue an
13 educational enhancement opportunity determined by the principal to be of
14 significant educational value, including but not limited to participation in an
15 educational foreign exchange program or an intensive instructional, experiential, or
16 performance program in one (1) of the core curriculum subjects of English, science,
17 mathematics, social studies, foreign language, and the arts. **A public school**
18 **principal shall give a student an excused absence of up to four (4) school days to**
19 **consult with a military recruiter, receive counseling from the Armed Services**
20 **Vocational Aptitude Battery Career Exploration Program, or pursue enlistment**
21 **in a branch of the Armed Forces of the United States or the Kentucky National**
22 **Guard pursuant to subsection (3) of Section 2 of this Act.**
- 23 (a) A student receiving an excused absence under this subsection shall have the
24 opportunity to make up school work missed and shall not have his or her class
25 grades adversely affected for lack of class attendance or class participation due
26 to the excused absence.
- 27 (b) Educational enhancement opportunities under this subsection shall not include

1 nonacademic extracurricular activities, but may include programs not
2 sponsored by the school district.

3 (c) If a request for an excused absence to pursue an educational enhancement
4 opportunity is denied by a school principal, a student may appeal the decision
5 to the district superintendent, who shall make a determination whether to
6 uphold or alter the decision of the principal. If a superintendent upholds a
7 principal's denial, a student may appeal the decision to the local board of
8 education, which shall make a final determination. A principal,
9 superintendent, and local board of education shall make their determinations
10 based on the provisions of this subsection and the district's school attendance
11 policies adopted in accordance with KRS 158.070 and KRS 159.150.

12 (d) A student receiving an excused absence under the provisions of this
13 subsection shall be considered present in school during the excused absence
14 for the purposes of calculating average daily attendance as defined by KRS
15 157.320 under the Support Education Excellence in Kentucky program.

16 (e) A student shall not be eligible to receive an excused absence under the
17 provisions of this subsection for an absence during a school's testing window
18 established for assessments of the state assessment developed under KRS
19 158.6453 or during a testing period established for the administration of
20 additional district-wide assessments at the school, except if a principal
21 determines that extenuating circumstances make an excused absence to pursue
22 an educational enhancement opportunity appropriate.

23 (4) (a) If a student's parent, de facto custodian, or other person with legal custody or
24 control of the student is a member of the United States Armed Forces,
25 including a member of a state National Guard or a Reserve component called
26 to federal active duty, a public school principal shall give the student:

27 1. An excused absence for one (1) day when the member is deployed;

- 1 2. An additional excused absence for one (1) day when the service member
2 returns from deployment; and
- 3 3. Excused absences for up to ten (10) days for visitation when the member
4 is stationed out of the country and is granted rest and recuperation leave.
- 5 (b) A student receiving an excused absence under this subsection shall have the
6 opportunity to make up school work missed and shall not have his or her class
7 grades adversely affected for lack of class attendance or class participation due
8 to the excused absence.
- 9 (c) A student receiving an excused absence under this subsection shall be
10 considered present in school during the excused absence for the purposes of
11 calculating average daily attendance as defined by KRS 157.320 under the
12 Support Education Excellence in Kentucky program.