

2020 Regular Session

HOUSE BILL NO. 575

BY REPRESENTATIVE THOMPSON

FUNDS/FUNDING: Provides relative to security for deposit of funds

1 AN ACT

2 To enact R.S. 49:321(A)(5) through (7) and (G), relative to collateral for deposits of state
3 funds; to provide relative to the types of instruments that may be required as
4 collateral; to provide relative to restrictions on certain types of instruments used as
5 collateral; and to provide for related matters.

6 Be it enacted by the Legislature of Louisiana:

7 Section 1. R.S. 49:321(A)(5) through (7) and (G) are hereby enacted to read as
8 follows:

9 §321. Security for deposit of funds; checks and drafts of departments

10 A. State depositing authorities shall require as security for deposits of state
11 funds either:

12 * * *

13 (5) Notwithstanding any other provision of law to the contrary, any
14 obligation, security, or investment that the state may invest in directly as provided
15 in R.S. 49:327.

16 (6) Bonds, debentures, notes, or other indebtedness issued by a state of the
17 United States of America other than Louisiana or any such state's political
18 subdivisions. The indebtedness shall have a long-term rating of A3 or higher by
19 Moody's Investors Service, a long-term rating of A- or higher by Standard & Poor's,
20 a long-term rating of A- or higher by Fitch, Inc., a short-term rating of M1G1 or

1 VM1G1 by Moody's Investors Service, a short-term rating of A-1 or A-1+ by
2 Standard & Poor's, or a short-term rating of F1 or F1+ by Fitch, Inc.

3 (7) Bonds, debentures, notes, or other indebtedness issued by domestic
4 United States corporations. The indebtedness shall have a long-term rating of Aa3
5 or higher by Moody's Investors Service, a long-term rating of AA- or higher by
6 Standard & Poor's, or a long-term rating of AA- or higher by Fitch Ratings, Inc.

7 * * *

8 G. Notwithstanding any provision of law to the contrary, there shall be no
9 duration limitation or restriction on the bonds used as security for deposits of state
10 funds pursuant to the provisions of this Section.

DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

HB 575 Engrossed

2020 Regular Session

Thompson

Abstract: Expands the types of instruments that may be required as collateral for deposit of state funds into a depository or fiscal agent bank.

Present law requires state depositing authorities to require security for deposits of state funds into fiscal agent banks. Defines "state depositing authority" as the state treasurer, any other elected state official, or any department, board, commission or institution of the state. Defines "fiscal agent bank" as any bank selected and designated by the Interim Emergency Board for deposit of state funds by the treasurer and other elected state officials or any department, board, commission, or institution of the state. Proposed law retains present law.

Proposed law expands the types of collateral that a state depositing authority may accept from a fiscal agent bank to include:

- (1) Any obligation, security, or investment that the state may invest in directly under present law (R.S. 49:327).
- (2) State bonds, debentures, notes or other indebtedness of a certain minimum credit rating issued by a state other than La. or such other state's political subdivisions.
- (3) Bonds, debentures, notes, or other indebtedness of a certain minimum credit rating issued by domestic U.S. corporations.

Proposed law further provides that notwithstanding any provision of law to the contrary, there shall be no duration limitation or restriction on the bonds used as security pursuant to present and proposed law.

(Adds R.S. 49:321(A)(5)-(7) and (G))