

Regular Session, 2014

SENATE BILL NO. 442

BY SENATOR MARTINY

MUNICIPALITIES. Provides relative to investments by political subdivisions. (8/1/14)

1 AN ACT

2 To amend and reenact R.S. 33:2955(A)(1)(j)(iii) and (k)(ii) and to enact R.S. 33:2955  
3 (A)(1)(l), relative to investments by political subdivisions; to provide for bonds,  
4 debentures, notes, or other evidence of indebtedness; to provide for a time period;  
5 to provide for an effective date; and to provide for related matters.

6 Be it enacted by the Legislature of Louisiana:

7 Section 1. R.S. 33:2955(A)(1)(j)(iii) and (k)(ii) are hereby amended and reenacted  
8 and R.S. 33:2955(A)(1)(l) is hereby enacted to read as follows:

9 §2955. Investments by political subdivisions

10 A.(1) \* \* \*

11 (j) Bonds, debentures, notes, or other evidence of indebtedness issued by the  
12 state of Louisiana or any of its political subdivisions provided that all of the  
13 following conditions are met:

14 \* \* \*

15 (iii) The indebtedness has a final maturity, mandatory tender, or a continuing  
16 optional tender of no more than ~~three~~ **five** years, except that such ~~three~~ **five**-year  
17 limitation shall not apply to (aa) funds held by a trustee, escrow agent, paying agent,

1 or other third party custodian in connection with a bond issue or (bb) investment of  
2 funds held by either a hospital service district, a governmental 501(c)(3), or a public  
3 trust authority.

4 (k) Bonds, debentures, notes, or other indebtedness issued by a state of the  
5 United States of America other than Louisiana or any such state's political  
6 subdivisions provided that all of the following conditions are met:

7 \* \* \*

8 (ii) The indebtedness has a final maturity, mandatory tender, or a continuing  
9 optional tender of no more than ~~three~~ **five** years, except that such ~~three~~ **five**-year  
10 limitation shall not apply to funds held by a trustee, escrow agent, paying agent, or  
11 other third-party custodian in connection with a bond issue nor to investment of  
12 funds held by either a hospital service district, a governmental 501(c)(3)  
13 organization, or a public trust authority.

14 \* \* \*

15 **(l) Bonds, debentures, notes, or other indebtedness issued by domestic**  
16 **United States corporations provided that all of the following conditions are met:**

17 **(i) The indebtedness shall have a long-term rating of Aa3 or higher by**  
18 **Moody's Investors Service, a long-term rating of AA- or higher by Standard &**  
19 **Poor's, or a long-term rating of AA- or higher by Fitch, Inc.**

20 **(ii) The indebtedness has a final maturity, mandatory tender, or a**  
21 **continuing optional tender of no more than five years.**

22 **(iii) Prior to purchase of any such indebtedness and at all times during**  
23 **which such indebtedness is owned, the purchasing Louisiana political**  
24 **subdivision retains the services of an investment advisor registered with the**  
25 **United States Securities and Exchange Commission.**

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The original instrument and the following digest, which constitutes no part of the legislative instrument, were prepared by Michael Bell.

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## DIGEST

Martiny (SB 442)

Present law provides that bonds, debentures, notes, or other evidence of indebtedness issued by the state of Louisiana or any of its political subdivisions has a final maturity, mandatory tender, or a continuing optional tender of no more than three years, except that such three-year limitation shall not apply to funds held by a trustee, escrow agent, paying agent, or other third party custodian in connection with a bond issue or investment of funds held by either a hospital service district, a governmental 501(c)(3), or a public trust authority.

Proposed law retains present law and changes the final maturity, mandatory tender, or a continuing optional tender from three years to five years for bonds, debentures, notes, or other evidence of indebtedness issued by the state of Louisiana or any of its political subdivisions.

Present law provides that bonds, debentures, notes, or other indebtedness issued by a state of the United States of America other than Louisiana or any such state's political subdivisions has a final maturity, mandatory tender, or a continuing optional tender of no more than three years, except that such three-year limitation shall not apply to funds held by a trustee, escrow agent, paying agent, or other third party custodian in connection with a bond issue or investment of funds held by either a hospital service district, a governmental 501(c)(3), or a public trust authority.

Proposed law retains present law and changes the final maturity, mandatory tender, or a continuing optional tender from three years to five years for bonds, debentures, notes, or other indebtedness issued by a state of the United States of America other than Louisiana or any such state's political subdivisions.

Proposed law provides that bonds, debentures, notes, or other evidence of indebtedness issued by domestic United States corporations shall have a long-term rating of Aa3 or higher by Moody's Investors Service, a long-term rating of AA- or higher by Standard & Poor's or a long-term rating of AA- or higher by Fitch, Inc. and that the indebtedness has a final maturity, mandatory tender, or a continuing optional tender of no more than five years.

Proposed law requires that prior to purchase of any such indebtedness and at all times during which such indebtedness is owned, the purchasing Louisiana political subdivision retains the services of an investment advisor registered with the United States Securities and Exchange Commission.

Effective August 1, 2014.

(Amends R.S. 33:2955 (A)(1)(j)(iii) and (k)(ii); adds (A)(1)(l))