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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-THIRD SESSION

H. F. No. 159

01/09/2023

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The bill was read for the first time and referred to the Committee on State and Local Government Finance and Policy

1.1 A bill for an act
1.2 relating to local government; providing additional investment authority for
1.3 qualifying local units of government; amending Minnesota Statutes 2022, section
1.4 118A.09, subdivisions 1, 2, 3; proposing coding for new law in Minnesota Statutes,
1.5 chapter 118A.

1.6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.7 Section 1. Minnesota Statutes 2022, section 118A.09, subdivision 1, is amended to read:

1.8 Subdivision 1. **Definition; qualifying government.** (a) "Qualifying government" means:

1.9 (1) a county or statutory or home rule charter city with a population of more than 100,000;

1.10 or

1.11 (2) a county or statutory or home rule charter city ~~which had its most recently issued~~
1.12 ~~general obligation bonds rated in the highest category by a national bond rating agency; or~~
1.13 whose most recent long-term, senior, general obligation rating by one or more national
1.14 rating organizations in the prior 18-month period is AA or higher.

1.15 ~~(3) a self-insurance pool listed in section 471.982, subdivision 3.~~

1.16 (b) A county or statutory or home rule charter city with a population of 100,000 or less
1.17 that is a qualifying government, but is subsequently ~~rated less than the highest category by~~
1.18 ~~a national bond rating agency on a general obligation bond issue~~ does not meet the threshold
1.19 under paragraph (a), clause (2), may not invest additional funds under this section during
1.20 any time period when it does not meet the threshold, but may continue to manage funds
1.21 previously invested under subdivision 2.

1.22 **EFFECTIVE DATE.** This section is effective the day following final enactment.

2.1 Sec. 2. Minnesota Statutes 2022, section 118A.09, subdivision 2, is amended to read:

2.2 Subd. 2. **Additional investment authority.** Qualifying governments may invest the
2.3 amount described in subdivision 3:

2.4 (1) in index mutual funds based in the United States and indexed to a broad market
2.5 United States equity index, on the condition that index mutual fund investments must be
2.6 made directly with the main sales office of the fund; or

2.7 (2) with the Minnesota State Board of Investment subject to such terms and minimum
2.8 amounts as may be adopted by the board. ~~Index mutual fund investments must be made~~
2.9 ~~directly with the main sales office of the fund.~~

2.10 **EFFECTIVE DATE.** This section is effective the day following final enactment.

2.11 Sec. 3. Minnesota Statutes 2022, section 118A.09, subdivision 3, is amended to read:

2.12 Subd. 3. **Funds.** (a) Qualifying governments may only invest under subdivision 2
2.13 according to the limitations in this subdivision. A qualifying government under subdivision
2.14 1, clause (1) or (2), may only invest its funds that are held for long-term capital plans
2.15 authorized by the city council or county board, or long-term obligations of the qualifying
2.16 government. Long-term obligations of the qualifying government include long-term capital
2.17 plan reserves, funds held to offset long-term environmental exposure, other postemployment
2.18 benefit liabilities, compensated absences, and other long-term obligations established by
2.19 applicable accounting standards.

2.20 (b) Qualifying governments under subdivision 1, clause (1) or (2), may invest up to 15
2.21 percent of the sum of:

2.22 (1) unassigned cash;

2.23 (2) cash equivalents;

2.24 (3) deposits; and

2.25 (4) investments.

2.26 ~~This~~ (c) The calculation in paragraph (b) must be based on the qualifying government's
2.27 most recent audited statement of net position, which must be compliant and audited pursuant
2.28 to governmental accounting and auditing standards. Once the amount invested reaches 15
2.29 percent of the sum of unassigned cash, cash equivalents, deposits, and investments, no
2.30 further funds may be invested under this section; however, a qualifying government may
2.31 continue to manage the funds previously invested under this section even if the total amount

3.1 subsequently exceeds 15 percent of the sum of unassigned cash, cash equivalents, deposits,
3.2 and investments.

3.3 ~~(c) A qualified government under subdivision 1, clause (3), may invest up to the lesser~~
3.4 ~~of:~~

3.5 ~~(1) 15 percent of the sum of its cash, cash equivalents, deposits, and investments; or~~

3.6 ~~(2) 25 percent of its net assets as reported on the pool's most recent audited statement~~
3.7 ~~of net position, which must be compliant and audited pursuant to governmental accounting~~
3.8 ~~and auditing standards.~~

3.9 **EFFECTIVE DATE.** This section is effective the day following final enactment.

3.10 Sec. 4. **[118A.10] SELF-INSURANCE POOLS; ADDITIONAL INVESTMENT**
3.11 **AUTHORITY.**

3.12 Subdivision 1. **Definition.** For the purposes of this section, "qualifying government"
3.13 means a self-insurance pool listed in section 471.982, subdivision 3.

3.14 Subd. 2. **Additional investment authority.** A qualifying government may invest in the
3.15 securities specified in section 11A.24.

3.16 Subd. 3. **Approval.** Before investing pursuant to this section, the governing body of a
3.17 qualifying government must adopt an investment policy pursuant to a resolution that includes
3.18 both of the following statements:

3.19 (1) the governing body understands that investments under this section have a risk of
3.20 loss; and

3.21 (2) the governing body understands the type of funds that are being invested and the
3.22 specific investment itself.

3.23 **EFFECTIVE DATE.** This section is effective the day following final enactment.