

Department of Planning and Budget 2020 Fiscal Impact Statement

1. Bill Number: HB1587

House of Origin	<input checked="" type="checkbox"/>	Introduced	<input type="checkbox"/>	Substitute	<input type="checkbox"/>	Engrossed
Second House	<input type="checkbox"/>	In Committee	<input type="checkbox"/>	Substitute	<input type="checkbox"/>	Enrolled

2. Patron: Hope

3. Committee: General Laws

4. Title: Investment of public funds; ratings agencies.

5. Summary: Allows ratings by Fitch Ratings to be used for determining whether certain investments are permissible for public funds. Under current law, only ratings by Standard & Poor's or Moody's Investors Service may be used. The bill also changes current requirements for certain deposits by requiring additional or more specific ratings from rating agencies. The bill contains technical amendments, including the removal of obsolete references to ratings by Duff & Phelps.

6. Budget Amendment Necessary: No

7. Fiscal Impact Estimates: Indeterminate, see Item 8.

8. Fiscal Implications: The fiscal impact of this bill is indeterminate. As written, amendments to 2.2-4510 and 2.2-4511 will restrict the allowable investment universe for Department of the Treasury external public funds managers contracted by the Department of the Treasury. Treasury indicates that passage of the bill in its current form will result in forced selling of some investments held by external managers, although the fiscal impact is unknown because it is impossible to predict market conditions of a future sale date. The fiscal impact of restricting corporate note investments and asset-backed securities investments (by requiring delineated ratings from two of three specific ratings agencies versus from one specific ratings agency and one other non-specific ratings agency) is indeterminate but does narrow the investable universe from previously eligible securities. The fiscal impact results from the potential reduction in interest income.

9. Specific Agency or Political Subdivisions Affected: Department of the Treasury, municipal corporations, political subdivisions, and public bodies of the Commonwealth

10. Technical Amendment Necessary: No.

11. Other Comments: None.