



# Professional Standards Committee Highlights

## SENATE BILL NO. 998 LOCAL GOVERNMENT INVESTMENTS



Effective January 1, 2021, Senate Bill 998 (“SB 998”) updates and amends certain provisions of the California Government Code related to Local Government Investments. Under current law, counties and the cities of San Francisco and Los Angeles are authorized to invest up to 40% of investible assets in commercial paper. Other cities and special districts are only authorized to invest up to 25% of their investible assets in commercial paper, and are prohibited from purchasing more than 10% of the outstanding commercial paper of any single issuer. Effective January 1, 2021, SB 998 increases the limitation to 40% of investible assets in commercial paper for those local agencies with more than \$100 million of investible assets until January 1, 2026. This change to the code coincides with a recent change to the definition of a “Qualified Institutional Buyer” by the Securities and Exchange Commission, which provides a wider investible universe for Public Agencies which to invest, including, commercial paper. SB 998 also combines the

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issuer limitation of a local agency's investments in commercial paper and medium-term notes to 10% of any single issuer.

The changes to the code also allow local agencies to invest in securities backed by the U.S. Government with zero or negative yields, which allows local agencies to invest in negative yield investments should U.S. government backed securities revert to negative rates due to market forces or by a change in policy by the Federal Open Market Committee.

SB 998 also clarifies conflicting language in the code permitting Indian Tribes to invest in joint powers investment pools.

Local agencies may wish to review their investment policies based on these legislative changes that become effective January 1, 2021.

The full text of Senate Bill 998 can be found [here](#).

You can also find Committee Highlights on other topics at <https://www.csmfo.org/professional-standards-committee-highlights/>.

If you have questions regarding this topic, contact **Jason Al-Imam, Chair of the Professional Standards Committee** at [standards.chair@csmfo.org](mailto:standards.chair@csmfo.org).

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*The Professional Standards Committee operates as a technical resource to CSMFO members. The Committee is comprised of municipal and commercial members whose mission is to keep members informed of emerging issues and best practices.*

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