

# HB2741



## 104TH GENERAL ASSEMBLY

State of Illinois

2025 and 2026

HB2741

Introduced 2/6/2025, by Rep. Travis Weaver

### SYNOPSIS AS INTRODUCED:

30 ILCS 235/2

from Ch. 85, par. 902

Amends the Public Funds Investment Act. Permits public agencies to invest public funds in any security that matures or that may be tendered for purchase at the option of the holder within not more than 7 years of the date on which it is acquired and that has the highest rating category (AAA) or the second highest rating category (AA) assigned by Standard & Poor's Corporation, Moody's Investors' Services, or other similar nationally recognized statistical rating organization. Effective immediately.

LRB104 08315 HLH 18366 b

A BILL FOR

1 AN ACT concerning finance.

2 **Be it enacted by the People of the State of Illinois,**  
3 **represented in the General Assembly:**

4 Section 5. The Public Funds Investment Act is amended by  
5 changing Section 2 as follows:

6 (30 ILCS 235/2) (from Ch. 85, par. 902)

7 Sec. 2. Authorized investments.

8 (a) Any public agency may invest any public funds as  
9 follows:

10 (1) in bonds, notes, certificates of indebtedness,  
11 treasury bills or other securities now or hereafter  
12 issued, which are guaranteed by the full faith and credit  
13 of the United States of America as to principal and  
14 interest;

15 (2) in bonds, notes, debentures, or other similar  
16 obligations of the United States of America, its agencies,  
17 and its instrumentalities;

18 (3) in interest-bearing savings accounts,  
19 interest-bearing certificates of deposit or  
20 interest-bearing time deposits or any other investments  
21 constituting direct obligations of any bank as defined by  
22 the Illinois Banking Act;

23 (4) in short-term obligations of corporations

1 organized in the United States with assets exceeding  
2 \$500,000,000 if (i) such obligations are rated at the time  
3 of purchase at one of the 3 highest classifications  
4 established by at least 2 standard rating services and  
5 which mature not later than 270 days from the date of  
6 purchase, (ii) such purchases do not exceed 10% of the  
7 corporation's outstanding obligations, and (iii) no more  
8 than one-third of the public agency's funds may be  
9 invested in short-term obligations of corporations under  
10 this paragraph (4);

11 (4.5) in obligations of corporations organized in the  
12 United States with assets exceeding \$500,000,000 if (i)  
13 such obligations are rated at the time of purchase at one  
14 of the 3 highest classifications established by at least 2  
15 standard rating services and which mature more than 270  
16 days but less than 10 years from the date of purchase, (ii)  
17 such purchases do not exceed 10% of the corporation's  
18 outstanding obligations, and (iii) no more than one-third  
19 of the public agency's funds may be invested in  
20 obligations of corporations under this paragraph (4.5); or

21 (5) in money market mutual funds registered under the  
22 Investment Company Act of 1940, provided that the  
23 portfolio of any such money market mutual fund is limited  
24 to obligations described in paragraph (1) or (2) of this  
25 subsection and to agreements to repurchase such  
26 obligations.

1           (6) in any security that matures or that may be  
2           tendered for purchase at the option of the holder within  
3           not more than 7 years of the date on which it is acquired  
4           and that has the highest rating category (AAA) or the  
5           second highest rating category (AA) assigned by Standard &  
6           Poor's Corporation, Moody's Investors' Services, or other  
7           similar nationally recognized statistical rating  
8           organization.

9           (a-1) In addition to any other investments authorized  
10          under this Act, a municipality, park district, forest preserve  
11          district, conservation district, county, or other governmental  
12          unit may invest its public funds in interest bearing bonds of  
13          any county, township, city, village, incorporated town,  
14          municipal corporation, or school district, of the State of  
15          Illinois, of any other state, or of any political subdivision  
16          or agency of the State of Illinois or of any other state,  
17          whether the interest earned thereon is taxable or tax-exempt  
18          under federal law. The bonds shall be registered in the name of  
19          the municipality, park district, forest preserve district,  
20          conservation district, county, or other governmental unit, or  
21          held under a custodial agreement at a bank. The bonds shall be  
22          rated at the time of purchase within the 4 highest general  
23          classifications established by a rating service of nationally  
24          recognized expertise in rating bonds of states and their  
25          political subdivisions.

26          (b) Investments may be made only in banks which are

1 insured by the Federal Deposit Insurance Corporation. Any  
2 public agency may invest any public funds in short term  
3 discount obligations of the Federal National Mortgage  
4 Association or in shares or other forms of securities legally  
5 issuable by savings banks or savings and loan associations  
6 incorporated under the laws of this State or any other state or  
7 under the laws of the United States. Investments may be made  
8 only in those savings banks or savings and loan associations  
9 the shares, or investment certificates of which are insured by  
10 the Federal Deposit Insurance Corporation. Any such securities  
11 may be purchased at the offering or market price thereof at the  
12 time of such purchase. All such securities so purchased shall  
13 mature or be redeemable on a date or dates prior to the time  
14 when, in the judgment of such governing authority, the public  
15 funds so invested will be required for expenditure by such  
16 public agency or its governing authority. The expressed  
17 judgment of any such governing authority as to the time when  
18 any public funds will be required for expenditure or be  
19 redeemable is final and conclusive. Any public agency may  
20 invest any public funds in dividend-bearing share accounts,  
21 share certificate accounts or class of share accounts of a  
22 credit union chartered under the laws of this State or the laws  
23 of the United States; provided, however, the principal office  
24 of any such credit union must be located within the State of  
25 Illinois. Investments may be made only in those credit unions  
26 the accounts of which are insured by applicable law.

1 (c) For purposes of this Section, the term "agencies of  
2 the United States of America" includes: (i) the federal land  
3 banks, federal intermediate credit banks, banks for  
4 cooperative, federal farm credit banks, or any other entity  
5 authorized to issue debt obligations under the Farm Credit Act  
6 of 1971 (12 U.S.C. 2001 et seq.) and Acts amendatory thereto;  
7 (ii) the federal home loan banks and the federal home loan  
8 mortgage corporation; and (iii) any other agency created by  
9 Act of Congress.

10 (d) Except for pecuniary interests permitted under  
11 subsection (f) of Section 3-14-4 of the Illinois Municipal  
12 Code or under Section 3.2 of the Public Officer Prohibited  
13 Practices Act, no person acting as treasurer or financial  
14 officer or who is employed in any similar capacity by or for a  
15 public agency may do any of the following:

16 (1) have any interest, directly or indirectly, in any  
17 investments in which the agency is authorized to invest.

18 (2) have any interest, directly or indirectly, in the  
19 sellers, sponsors, or managers of those investments.

20 (3) receive, in any manner, compensation of any kind  
21 from any investments in which the agency is authorized to  
22 invest.

23 (e) Any public agency may also invest any public funds in a  
24 Public Treasurers' Investment Pool created under Section 17 of  
25 the State Treasurer Act. Any public agency may also invest any  
26 public funds in a fund managed, operated, and administered by

1 a bank, subsidiary of a bank, or subsidiary of a bank holding  
2 company or use the services of such an entity to hold and  
3 invest or advise regarding the investment of any public funds.

4 (f) To the extent a public agency has custody of funds not  
5 owned by it or another public agency and does not otherwise  
6 have authority to invest such funds, the public agency may  
7 invest such funds as if they were its own. Such funds must be  
8 released to the appropriate person at the earliest reasonable  
9 time, but in no case exceeding 31 days, after the private  
10 person becomes entitled to the receipt of them. All earnings  
11 accruing on any investments or deposits made pursuant to the  
12 provisions of this Act shall be credited to the public agency  
13 by or for which such investments or deposits were made, except  
14 as provided otherwise in Section 4.1 of the State Finance Act  
15 or the Local Governmental Tax Collection Act, and except where  
16 by specific statutory provisions such earnings are directed to  
17 be credited to and paid to a particular fund.

18 (g) A public agency may purchase or invest in repurchase  
19 agreements of government securities having the meaning set out  
20 in the Government Securities Act of 1986, as now or hereafter  
21 amended or succeeded, subject to the provisions of said Act  
22 and the regulations issued thereunder. The government  
23 securities, unless registered or inscribed in the name of the  
24 public agency, shall be purchased through banks or trust  
25 companies authorized to do business in the State of Illinois.

26 (h) Except for repurchase agreements of government

1 securities which are subject to the Government Securities Act  
2 of 1986, as now or hereafter amended or succeeded, no public  
3 agency may purchase or invest in instruments which constitute  
4 repurchase agreements, and no financial institution may enter  
5 into such an agreement with or on behalf of any public agency  
6 unless the instrument and the transaction meet the following  
7 requirements:

8 (1) The securities, unless registered or inscribed in  
9 the name of the public agency, are purchased through banks  
10 or trust companies authorized to do business in the State  
11 of Illinois.

12 (2) An authorized public officer after ascertaining  
13 which firm will give the most favorable rate of interest,  
14 directs the custodial bank to "purchase" specified  
15 securities from a designated institution. The "custodial  
16 bank" is the bank or trust company, or agency of  
17 government, which acts for the public agency in connection  
18 with repurchase agreements involving the investment of  
19 funds by the public agency. The State Treasurer may act as  
20 custodial bank for public agencies executing repurchase  
21 agreements. To the extent the Treasurer acts in this  
22 capacity, he is hereby authorized to pass through to such  
23 public agencies any charges assessed by the Federal  
24 Reserve Bank.

25 (3) A custodial bank must be a member bank of the  
26 Federal Reserve System or maintain accounts with member

1 banks. All transfers of book-entry securities must be  
2 accomplished on a Reserve Bank's computer records through  
3 a member bank of the Federal Reserve System. These  
4 securities must be credited to the public agency on the  
5 records of the custodial bank and the transaction must be  
6 confirmed in writing to the public agency by the custodial  
7 bank.

8 (4) Trading partners shall be limited to banks or  
9 trust companies authorized to do business in the State of  
10 Illinois or to registered primary reporting dealers.

11 (5) The security interest must be perfected.

12 (6) The public agency enters into a written master  
13 repurchase agreement which outlines the basic  
14 responsibilities and liabilities of both buyer and seller.

15 (7) Agreements shall be for periods of 330 days or  
16 less.

17 (8) The authorized public officer of the public agency  
18 informs the custodial bank in writing of the maturity  
19 details of the repurchase agreement.

20 (9) The custodial bank must take delivery of and  
21 maintain the securities in its custody for the account of  
22 the public agency and confirm the transaction in writing  
23 to the public agency. The Custodial Undertaking shall  
24 provide that the custodian takes possession of the  
25 securities exclusively for the public agency; that the  
26 securities are free of any claims against the trading

1 partner; and any claims by the custodian are subordinate  
2 to the public agency's claims to rights to those  
3 securities.

4 (10) The obligations purchased by a public agency may  
5 only be sold or presented for redemption or payment by the  
6 fiscal agent bank or trust company holding the obligations  
7 upon the written instruction of the public agency or  
8 officer authorized to make such investments.

9 (11) The custodial bank shall be liable to the public  
10 agency for any monetary loss suffered by the public agency  
11 due to the failure of the custodial bank to take and  
12 maintain possession of such securities.

13 (i) Notwithstanding the foregoing restrictions on  
14 investment in instruments constituting repurchase agreements  
15 the Illinois Housing Development Authority may invest in, and  
16 any financial institution with capital of at least  
17 \$250,000,000 may act as custodian for, instruments that  
18 constitute repurchase agreements, provided that the Illinois  
19 Housing Development Authority, in making each such investment,  
20 complies with the safety and soundness guidelines for engaging  
21 in repurchase transactions applicable to federally insured  
22 banks, savings banks, savings and loan associations or other  
23 depository institutions as set forth in the Federal Financial  
24 Institutions Examination Council Policy Statement Regarding  
25 Repurchase Agreements and any regulations issued, or which may  
26 be issued by the supervisory federal authority pertaining

1 thereto and any amendments thereto; provided further that the  
2 securities shall be either (i) direct general obligations of,  
3 or obligations the payment of the principal of and/or interest  
4 on which are unconditionally guaranteed by, the United States  
5 of America or (ii) any obligations of any agency, corporation  
6 or subsidiary thereof controlled or supervised by and acting  
7 as an instrumentality of the United States Government pursuant  
8 to authority granted by the Congress of the United States and  
9 provided further that the security interest must be perfected  
10 by either the Illinois Housing Development Authority, its  
11 custodian or its agent receiving possession of the securities  
12 either physically or transferred through a nationally  
13 recognized book entry system.

14 (j) In addition to all other investments authorized under  
15 this Section, a community college district may invest public  
16 funds in any mutual funds that invest primarily in corporate  
17 investment grade or global government short term bonds.  
18 Purchases of mutual funds that invest primarily in global  
19 government short term bonds shall be limited to funds with  
20 assets of at least \$100 million and that are rated at the time  
21 of purchase as one of the 10 highest classifications  
22 established by a recognized rating service. The investments  
23 shall be subject to approval by the local community college  
24 board of trustees. Each community college board of trustees  
25 shall develop a policy regarding the percentage of the  
26 college's investment portfolio that can be invested in such

1 funds.

2 (k) In addition to all other investments authorized under  
3 this Section, a public agency may adopt an ordinance or  
4 resolution to allow for investment of public funds in other  
5 instruments not specifically listed in this Section provided  
6 that those investments comply with (i) any other law that  
7 authorizes public agencies to invest funds and (ii) the  
8 investment policy adopted by the public agency under Section  
9 2.5 of this Act.

10 Nothing in this Section shall be construed to authorize an  
11 intergovernmental risk management entity to accept the deposit  
12 of public funds except for risk management purposes.

13 (Source: P.A. 102-285, eff. 8-6-21; 103-880, eff. 1-1-25.)

14 Section 99. Effective date. This Act takes effect upon  
15 becoming law.