§327. Authorized investments; maturity; interest rates

A. It is hereby recognized that it is in the best interest of the state of Louisiana to maximize the return on the investments made by the state treasurer. However, it is also the desire to foster the economy of the state. To the extent possible under existing state and federal laws, regulations, guidelines, and prudent management of state funds, the state treasurer will endeavor to maintain a reasonable proportion of funds on deposit with in-state financial institutions.

B. Funds on deposit in state treasury.

(1) The state treasurer is hereby authorized and directed to invest monies on deposit in the state treasury belonging to the general fund of the state, funds in the state treasury to the credit of state agencies, departments, boards, and commissions, and any other funds under the control of the state treasurer which he, in his discretion, may determine to be available for investment in the following:

(a) Direct obligations of the United States government, a United States government agency, a United States government instrumentality, or a United States government-sponsored enterprise, the principal and interest of which are fully and explicitly guaranteed by the full faith and credit of the government of the United States of America, and contained in a list promulgated by the state treasurer in accordance with the Administrative Procedure Act.

(b) Direct obligations of a United States government agency, United States government instrumentality, or United States government-sponsored enterprise, the principal and interest of which are fully guaranteed by the issuing entity, but are not explicitly guaranteed by the full faith and credit of the government of the United States, and contained in a list promulgated by the state treasurer. However, at no time shall the funds invested in United States government agency obligations enumerated in this Subparagraph exceed sixty percent of all monies invested as of that date with maturities of thirty days or longer.

(c) Direct security repurchase agreements and reverse security repurchase agreements. "Direct security repurchase agreement" means an agreement and transaction in which securities are purchased by the state from a registered securities broker or dealer for a rate and a guarantee to buy them back from the state; the state holds the securities for a specified time; and then the state sells those securities back to the broker or dealer at an agreed upon price. "Reverse security repurchase agreement" means an agreement and transaction in which securities are sold by the state to a registered securities broker or dealer for a rate and a guarantee to sell them back to the state; the broker or dealer holds the securities for a specified time; and then the state buys back the securities from the broker or dealer at an agreed upon price.

(d) Time certificates of deposit of any bank domiciled or having a branch office in the state of Louisiana, savings accounts or shares of savings and loan associations and savings banks, as defined by R.S. 6:703(16) and (17), or share accounts and share certificate accounts of federally or state-chartered credit unions issuing time certificates of deposit, issued for the state treasurer under this authority. For those funds determined under prudent judgment of the state treasurer to be made available for investment in time certificates of deposit, the rate of interest paid by the banks shall be determined by rules and regulations adopted and promulgated by the state treasurer. Competitive bidding may be used to establish the rate of interest on fifty percent or less of the amount determined to be available as of that date for investment in time certificates of deposit. Those financial institutions bidding on time certificates of deposit shall meet the
financial criteria established by rules and regulations adopted and promulgated by the state treasurer. At the time of investment, the interest rate under the provisions of this Subsection shall be a rate not less than the prevailing market interest rate on direct obligations of the United States Treasury with a similar length of maturity.

(e) Investment grade commercial paper and investment grade corporate notes and bonds traded in United States markets, denominated in United States dollars, and issued in the United States by a corporation whose common stock is listed on the New York Stock Exchange, the American Stock Exchange, the National Association of Securities Dealers Automated Quotations Systems, or other such stock exchange domiciled in the United States and registered with the United States Securities and Exchange Commission. However, at no time shall the funds invested in paper, notes, and bonds enumerated in this Subparagraph exceed twenty percent of all monies invested as of that date.

(f) Money market funds consisting solely of securities otherwise eligible for investment by the state treasurer.

(g) In addition to those general fund investments authorized and permitted pursuant to the provisions of this Subsection, the state treasurer is hereby authorized and directed to invest monies on deposit in the state treasury belonging to the general fund of the state in the tax exempt or taxable bonds issued in 2006 by the Louisiana Stadium and Exposition District, or any conversion, re-issuance, or other similar refunding or replacement of such bonds, in such total amounts to be so invested and the bonds to be so acquired as shall be set forth in a written directive, and certification of such investments to be in the best overall financial interest of the state by the governor to the treasurer, and the subsequent agreement to and approval of the governor's written directive and certification by both the Joint Legislative Committee on the Budget and the State Bond Commission. The divestment of or disposition from the state general fund of all or any portion of such investments from time to time shall be made by the treasurer at the direction of the State Bond Commission. Any investments so made shall be maintained in a separate sub-investment account of the state general fund so as to not be included in the determination of the general fund's investment performance.

(2) Investments authorized by Subparagraphs (a) through (f) of Paragraph (1) of this Subsection shall mature on such date or dates as determined by the state treasurer in the exercise of prudent judgment to generate a favorable return to the state and will allow the monies to be available for use at such time as the monies will be needed for state purposes. However, the weighted average maturity of securities purchased as enumerated in Subparagraphs (a) through (f) of Paragraph (1) of this Subsection shall not exceed five years from date of purchase. For monies invested from special funds, the weighted average maturities shall not exceed ten years from date of purchase. Special funds shall be considered those funds created constitutionally, statutorily, or administratively which are not considered general funds.

(3) These funds shall not exceed at any time the amount insured by the Federal Deposit Insurance Corporation in any one banking institution, the Federal Savings and Loan Insurance Corporation in any one savings and loan association, the National Credit Union Administration, or other deposit insurance corporation approved by the state treasurer, unless the uninsured portion is collateralized by the pledge of securities in the manner provided by R.S. 6:748.1 and R.S. 49:321.

(4) Unless otherwise provided, income from investments authorized by the provisions of this Subsection shall be credited to the state general fund.
(5) The treasurer shall develop and adopt an investment policy that details and clarifies investment objectives and the procedures and constraints necessary to reach those objectives. All such investment policies should:

(a) Reflect the mandate to manage public funds prudently.

(b) Place appropriate emphasis on the goals of safety of principal first, liquidity second, and yield third.

(c) Establish internal controls for any derivatives in use to ensure that the risks inherent in derivatives are adequately managed. For the purposes of this Section, the term "derivative" shall mean any financial instrument created from or whose value depends on the value of one or more underlying assets or indexes of asset value.

C. Funds not on deposit in state treasury. (1)(a) The heads of all state departments, boards, commissions, and agencies are authorized and directed to invest monies under their control and not on deposit in the state treasury which they in their discretion may determine to be available for investment in time certificates of deposit of any bank domiciled or having a branch office in the state of Louisiana, in savings accounts or shares of savings and loan associations and savings banks, as defined by R.S. 6:703(16) and (17)(a), or in share accounts and share certificate accounts of federally or state-chartered credit unions.

(b) Notwithstanding the provisions of Subparagraph (a) of this Paragraph, institutions of higher education may invest monies under their control and not on deposit in the state treasury in any or all of the instruments set forth in Subsection B(1) of this Section in accordance with a written investment policy adopted by the management board of the investing institution of higher education, which investment policy has been approved by an investment advisory committee composed of the state treasurer, the legislative auditor, and the commissioner of administration. Income from such investments shall not be credited to the state general fund.

(c) Any state department, board, commission, agency, or institution of higher education which invests monies under its control and not on deposit in the state treasury shall develop and adopt an investment policy which complies with Paragraph B(5) of this Section.

(2) These funds shall not exceed at any time the amount insured by the Federal Deposit Insurance Corporation in any one banking institution, the Federal Savings and Loan Insurance Corporation in any one savings and loan association, the National Credit Union Administration or other deposit insurance corporation approved by the state treasurer, unless the uninsured portion is collateralized by the pledge of securities in the manner provided by R.S. 6:748.1 and R.S. 49:321. However, if funds are determined to be available for investment for a period of time less than thirty days, such heads of departments, boards, commissions, and other state agencies are authorized to invest such funds in direct United States Treasury obligations that mature not more than twenty-nine days after the date of purchase.

(3)(a) This Section shall not apply to funds of state colleges and universities which are derived from gifts and grants, funds functioning as endowments, or other permanent funds. Said funds may be invested by the managing board of the investing institution pursuant to R.S. 9:2337.6 or as otherwise provided by law and in accordance with a written investment policy adopted by the managing board and approved by an investment advisory committee comprised of the state treasurer, the legislative auditor, and the commissioner of administration. This Section shall not apply to reserve funds established in accordance with bond issues, which funds may be invested as otherwise provided by law.

(b) In accordance with the provisions of Article VII, Section 14 of the constitution, public or private colleges or universities may invest publicly funded permanently endowed funds
in the stock of any corporation listed on the New York Stock Exchange, the American Stock Exchange, or authorized for quotations display on the National Association of Securities Dealers Automated Quotations System, provided that the total investment in such stocks at any one time shall not exceed thirty-five percent of the market value of all publicly endowed funds of the public or private college or university.

(4) Time certificates of deposit in which investments are made under the authority of this Subsection shall mature not more than twelve months after the date of their purchase.

(5) Banks issuing time certificates of deposit under the authority of this Section for heads of departments, boards, commissions and other state agencies shall pay interest at a rate equal to the rate determined by the United States Treasury to have been the average interest rate on the last previous sale of treasury bills with the same length of maturity; provided that if at any time the interest rate provided above is in excess of the maximum rate banks are permitted to pay on time certificates of deposit for the same period of time by regulations of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, the National Credit Union Administration or other deposit insurance corporation, the interest rate shall be the maximum established by those regulations.

(6) Unless otherwise provided, income from investments under the authority of this Subsection shall be credited to the fund out of which the investments were made.

D. Excess funds. Those funds determined by the state treasurer or department head, commission, board, or agency head in the exercise of prudent judgment to be in excess of immediate cash requirements of the account to which the funds belong shall be available for investment and shall be invested under the authority of this Section.

E. The treasurer shall submit to the governor and the legislature a report on all investments of state funds made by the treasurer. The report shall be due on the fifteenth day after the end of each quarter and shall cover all investment activity for the previous quarter. The information in the report shall include:

(1) The method by which the fees paid to these persons or companies is calculated.

(2) The total amount of state funds invested for the month.

(3) The total earnings for the investments for the month.

(4) The rate of investment earnings expressed as a percentage of the amount of the investment.

(5) The comparable rate of investment earnings for:

(a) U.S. Treasury two-year notes.

(b) U.S. Treasury thirty-day bills.
