

FLORIDA HOUSE OF REPRESENTATIVES

FINAL BILL ANALYSIS

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BILL #: [CS/CS/HB 669](#)

TITLE: Israeli Bonds

SPONSOR(S): Gossett-Seidman

COMPANION BILL: [CS/SB 1674](#) (Calatayud)

LINKED BILLS: None

RELATED BILLS: None

FINAL HOUSE FLOOR ACTION: 113 Y's 0 N's

GOVERNOR'S ACTION: Approved

SUMMARY

Effect of the Bill:

The bill prohibits a local government's investment policy from requiring a minimum bond rating for investing in bonds issued by the Israeli government.

Fiscal or Economic Impact:

None.

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ANALYSIS

EFFECT OF THE BILL:

The bill prohibits a [local government's investment policy](#) from requiring a minimum [bond rating](#) for investing in bonds issued by the Israeli government. (Section [1](#))

The bill was approved by the Governor on June 23, 2025, ch. 2025-174, L.O.F., and will become effective on July 1, 2025. (Section [2](#))

RELEVANT INFORMATION

SUBJECT OVERVIEW:

[Local Government Investment Policies](#)

Each unit of local government¹ in the state may invest any surplus funds according to a written investment policy adopted by the governing body or principal officer of the local government.² The investment policy does not apply to any pension funds of the local government, including any firefighter or municipal police pensions, or to any funds related to debt issuance where there are other policies or indentures governing the funds.³

The local government's investment policy must be structured to place the highest priority on the safety of principal and liquidity of funds, with maximizing investment returns as a secondary consideration.⁴ The investment portfolio must be structured so that the local government has sufficient liquidity to pay obligations as they come due.⁵ The policy must describe investment objectives, specify performance measures appropriate for the nature and size of the funds held by the local government, and describe the level of prudence and ethical standards followed by the local government in investing.⁶ The policy must also include guidelines for investments, limits on security issues, issuers, and maturities the funds will be deposited in, and provide for appropriate diversification.⁷

¹ A "unit of local government" is defined any county, municipality, special district, school district, county constitutional officer, authority, board, public corporation, or any other political subdivision of the state. S. [218.403\(11\), F.S.](#)

² S. [218.415, F.S.](#)

³ S. [218.415\(1\), F.S.](#)

⁴ S. [218.415, F.S.](#)

⁵ S. [218.415\(6\), F.S.](#)

⁶ S. [218.415\(2\)-\(4\), F.S.](#)

⁷ S. [218.415\(7\)-\(8\), F.S.](#)

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Each local government's written investment policy must include a list of acceptable investments drawn from a list of authorized investments provided in statute.⁸ Any investments not included in the statutory list are expressly prohibited.⁹ The types of authorized investments are:

- The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969.¹⁰
- Money market funds registered with the Securities and Exchange Commission with the highest credit quality rating from a nationally recognized rating agency.
- Interest-bearing time deposits, such as certificates of deposit, or savings accounts in qualified public depositories.
- Direct obligations of the United States Treasury.
- Federal agencies and instrumentalities.
- Rated or unrated bonds, notes, or instruments backed by the full faith and credit of the government of Israel. (emphasis supplied)
- Securities or other interests in any open-end or closed-end management-type investment company or investment trust registered under the Investment Company Act of 1940 that is limited to investing in obligations of the United States Government and to repurchase agreements fully collateralized by such United States Government obligations.
- Other investments authorized by law or by ordinance for a county or a municipality.
- Other investments authorized by law or by resolution for a school district or a special district.¹¹

If the local government's investment policy authorizes investments in derivative products or in reverse repurchase agreements or other forms of leverage, the policy must require the officials responsible for making investment decisions to have sufficient understanding and expertise in the use of such products.¹² Reverse repurchase agreements or other forms of leverage may only be used where the proceeds are intended to provide liquidity to the local government.

If a local government has not adopted a written investment policy, its ability to invest surplus funds is limited to:

- The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969.
- Money market funds registered with the Securities and Exchange Commission with the highest credit quality rating from a nationally recognized rating agency.
- Interest-bearing time deposits, such as certificates of deposit, or savings accounts in qualified public depositories.
- Direct obligations of the United States Treasury.

Each local government's investment policy must provide for a system of internal controls and operational procedures to prevent the loss of funds by fraud, employee error, misrepresentation by third parties, or imprudent actions by employees.¹³ The system of internal controls is reviewed by independent auditors as part of any

⁸ S. [218.415\(5\), F.S.](#)

⁹ S. [218.415\(5\), F.S.](#)

¹⁰ The Local Government Surplus Funds Trust Fund, also known as Florida PRIME, is administered by the State Board of Administration and currently holds a balance of over \$34 billion dollars on behalf of 819 participating local governments. State Board of Administration, [Florida PRIME Monthly Summary Report, January 31, 2025](#) (last visited Feb. 28, 2025). Additionally, there are currently two intragovernmental investment pools operating in the state, the Florida Local Government Investment Trust, created by the Florida Association of Counties and the Florida Court Clerks & Comptrollers and the Florida Municipal Investment Trust. See Florida Trust, [About](#) (last visited Feb. 28, 2025) and Florida League of Cities, [Florida Municipal Investment Trust](#) (last visited Feb. 28, 2025).

¹¹ S. [218.415\(16\), F.S.](#)

¹² A "derivative" is any financial instrument the value of which depends on, or is derived from, the value of one or more underlying assets or index or asset values. S. [218.415\(5\), F.S.](#) A "reverse repurchase agreement" is a transaction in which an investor owns a security that a bank or other party purchases from the investor such to an agreement to sell the security back to the investor on a specified date at an agreed-upon interest rate. Government Finance Officers Association, [Ensuring the Safety of Reverse Repurchase Agreements](#) (last visited Feb. 28, 2025).

¹³ S. [218.415\(13\), F.S.](#)

financial audit required of the local government.¹⁴ The policy must also provide for reporting on at least an annual basis that includes the local government’s investment portfolio, the book value of the assets in the portfolio, any income earned by the portfolio, and the market value as of the date of the report.¹⁵

Bond Ratings

Bond ratings are measures developed by credit rating agencies to inform investors of the creditworthiness of a bond issuer.¹⁶ Ratings agencies conduct research into the financial health of bond issuers and assign ratings based on their findings. Ratings are reported using a hierarchical system that allows investors to compare the risks associated with the bonds of different issuers. While various gradations exist, bonds are often thought of as being either investment-grade or speculative (sometimes called “high-yield” or “junk” bonds). An unrated bond is a bond that has not received a rating from a rating agency.¹⁷ While perceived by some as representing greater investment risk, bonds may be unrated for reasons unrelated to creditworthiness.¹⁸

¹⁴ See, e.g. [s. 218.39, F.S.](#) (requiring annual financial audit reports).

¹⁵ [S. 218.415\(15\), F.S.](#)

¹⁶ Fidelity, [Bond Ratings](#) (last visited Feb. 28, 2025).

¹⁷ Intrepid Capital, [Demystifying Non-Rated Bonds](#) (last visited Feb. 28, 2025).

¹⁸ *Id.*