2025-2026 General Assembly

SENATE BILL 257: 2026 Appropriations Act, Sec. 39.2: Investment of Local Government Idle Funds Modification

Analysis of:	S.L. 2026-41, Sec. 39.2	**Date:**	August 21, 2026
		Prepared by:	Legislative Analysis Division Staff

Section 39.2 of S.L. 2026-41(Senate Bill 257), as amended by Section 7.24 of S.L. 2026-61 (House Bill 268), does the following:

- Modifies local government authority to invest idle funds in a mutual fund for local government investment if a fund qualification factor is met.
- Provides that a fund qualification factor is either a fund that is (i) certified by the Local Government Commission or (ii) registered with the United States Securities and Exchange Commission as a government money market fund that:
    - Invests primarily in United States government securities, cash, or repurchase agreements collateralized by government securities.
    - Seeks to maintain a stable one dollar net asset value per share.
    - Bears one of the two highest ratings of at least one nationally recognized rating service and does not bear a rating below one of the two highest ratings by any nationally recognized rating service which rates the particular fund.
- Modifies the authority of local government and public authorities to invest funds subject to the arbitrage and rebate provisions of the Internal Revenue Act of 1986 in taxable and tax-exempt mutual funds if one of the following is met:
    - If the mutual fund is taxable, the fund is (i) registered with the United States Securities and Exchange Commission as a government money market fund that invest primarily in United States government securities, cash, or repurchase agreements collateralized by government securities and (ii) seeks to maintain a stable one dollar net asset value per share.
    - If the mutual fund is tax exempt, investments of any tax exempt mutual fund are limited to those bearing one of the two highest ratings of at least one national recognized rating service and not bearing a rating below one of the two highest ratings by any nationally recognized rating service which rates the particular fund.

This section became effective on July 1, 2026.