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GOVERNMENT CODE - GOV

TITLE 2. GOVERNMENT OF THE STATE OF CALIFORNIA [8000 - 22980] (Title 2 enacted by Stats. 1943, Ch. 134.)

DIVISION 4. FISCAL AFFAIRS [16100 - 17700] (Division 4 added by Stats. 1945, Ch. 119.)

PART 2. STATE FUNDS [16300 - 16649.95] (Part 2 added by Stats. 1945, Ch. 120.)

CHAPTER 3. Investments [16430 - 16495.5] (Chapter 3 added by Stats. 1945, Ch. 120.)

ARTICLE 1. General [16430 - 16431] (Article 1 added by Stats. 1945, Ch. 120.)

16430. Eligible securities for the investment of surplus moneys shall be any of the following:

(a) Bonds or interest-bearing notes or obligations of the United States, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.

(b) Bonds or interest-bearing notes or obligations that are issued by or fully guaranteed as to principal and interest by a federal agency or a United States government-sponsored enterprise, as defined by the Omnibus Budget Reconciliation Act of 1990 (Sec. 13112, Public Law 101-508; 2 U.S.C. Sec. 622(8)).

(c) Bonds, notes, or other obligations of this state, or those for which the faith and credit of this state are pledged for the payment of principal and interest.

(d) (1) Bonds, notes, or other obligations of a local government of this state, including, but not limited to, any of the following:

(A) A county.

(B) A city.

(C) A city and county.

(D) A metropolitan water district.

(E) A water district.

(F) A water storage district.

(G) An irrigation district.

(H) A municipal utility district.

(I) A school district.

(2) Bonds, notes, or other obligations eligible for investment pursuant to this subdivision shall be within the top three ratings of a nationally recognized statistical rating organization.

(e) Bonds, debentures, or other obligations of any of the following:

(1) Issued by federal land banks or federal intermediate credit banks established under the Federal Farm Loan Act, as amended (12 U.S.C. Sec. 2001 et seq.).

(2) Issued by the Central Bank for Cooperatives and banks for cooperatives established under the Farm Credit Act of 1933, as amended (12 U.S.C. Sec. 2001 et seq.).

(3) The Federal Home Loan Bank established under the Federal Home Loan Bank Act (12 U.S.C. Sec. 1421 et seq.).

(4) The Federal National Mortgage Association established under the National Housing Act, as amended (12 U.S.C. Sec. 1701 et seq.).

(5) The Federal Home Loan Mortgage Corporation.

(6) Issued by the Tennessee Valley Authority under the Tennessee Valley Authority Act, as amended (16 U.S.C. Sec. 831 et seq.).

(7) Guaranteed by the Commodity Credit Corporation for the export of California agricultural products under the Commodity Credit Corporation Charter Act, as amended (15 U.S.C. Sec. 714 et seq.).

(f) Bonds, notes, warrants, and other securities not in default that are the direct obligations of the government of a foreign country that the International Monetary Fund lists as an advanced economy and for which the full faith and credit of that country has been pledged for the payment of principal and interest, if the securities are rated investment grade or its equivalent, or better, by a nationally recognized statistical rating organization. Securities eligible for investment pursuant to this subdivision shall satisfy all of the following:

(1) Be United States dollar denominated with a maximum maturity of five years or less, and eligible for purchase and sale within the United States.

(2) The combined par value of all of the investments authorized by this subdivision do not exceed 1 percent of the total par value of Pooled Money Investment Account assets at the time of purchase.

(3) The government of the foreign country issuing the securities submits to the jurisdiction of a federal or state court in the United States when disputes arise related to the investments.

(g) (1) Commercial paper of "prime" quality as defined by a nationally recognized statistical rating organization that rates these securities, if the commercial paper is issued by a federally or state-chartered bank or a state-licensed branch of a foreign bank, corporation, trust, or limited liability company that is approved by the Pooled Money Investment Board as meeting the conditions specified in either subparagraph (A) or subparagraph (B):

(A) Both of the following conditions:

(i) Organized and operating within the United States.

(ii) Having total assets in excess of five hundred million dollars (\$500,000,000).

(B) Both of the following conditions:

(i) Organized within the United States as a federally or state-chartered bank or a state-licensed branch of a foreign bank, special purpose corporation, trust, or limited liability company.

(ii) Having programwide credit enhancements including, but not limited to, overcollateralization, letters of credit, or surety bond.

(2) A purchase of eligible commercial paper shall not do any of the following:

(A) Exceed 270 days maturity.

(B) Represent more than 10 percent of the outstanding paper of an issuing federally or state-chartered bank or a state-licensed branch of a foreign bank, corporation, trust, or limited liability company.

(C) Exceed 30 percent of the resources of an investment program.

(3) At the request of the Pooled Money Investment Board, an investment made pursuant to this subdivision shall be secured by the issuer by depositing with the Treasurer securities authorized by Section 53651 of a market value at least 10 percent in excess of the amount of the state's investment.

(h) Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as banker's acceptances, that are eligible for purchase by the Federal Reserve System.

(i) Negotiable certificates of deposits issued by a federally or state-chartered bank or savings and loan association, a state-licensed branch of a foreign bank, or a federally or state-chartered credit union. For the purposes of this section, negotiable certificates of deposits are not subject to Chapter 4 (commencing with Section 16500) and Chapter 4.5 (commencing with Section 16600).

(j) The portion of bank loans and obligations guaranteed by the United States Small Business Administration or the United States Farmers Home Administration.

(k) Bank loans and obligations guaranteed by the Export-Import Bank of the United States.

(l) Student loan notes insured under the Guaranteed Student Loan Program established pursuant to the Higher Education Act of 1965, as amended (20 U.S.C. Sec. 1001 et seq.) and eligible for resale to the Student Loan Marketing Association established pursuant to Section 133 of the Education Amendments of 1972, as amended (20 U.S.C. Sec. 1087-2).

(m) Obligations issued, assumed, or guaranteed by the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, the International Finance Corporation, the Government Development Bank for Puerto Rico, the European Bank for Reconstruction and Development, or the European Investment Bank.

(n) Bonds, debentures, and notes issued by corporations organized and operating within the United States. Securities eligible for investment pursuant to this subdivision shall be within the top three ratings of a nationally recognized statistical rating organization.

(o) Negotiable Order of Withdrawal Accounts (NOW Accounts), invested in accordance with Chapter 4 (commencing with Section 16500).

(p) Shares of any money market mutual fund subject to registration by, and under the regulatory authority of, the United States Securities and Exchange Commission, provided that all of the following conditions are met:

(1) The money market mutual fund invests in securities and obligations described in one or more of the following: subdivision (a), (b), or (e) of this section or repurchase agreements or reverse repurchase agreements described in Section 16480.4.

(2) The financial institution issuing shares of the money market mutual fund has at least five years of experience investing in the types of securities and obligations being purchased by the state and has assets under management in the money market mutual fund in excess of ten billion dollars (\$10,000,000,000).

(3) The money market mutual fund has attained the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations.

(4) The financial institution does not impose a commission on the purchase or sale of fund shares by the state.

(5) The state does not purchase more than 10 percent of a money market mutual fund's total assets.

(6) The state does not invest more than 10 percent of the Pooled Money Investment Account's funds in any single money market mutual fund meeting the requirements of this subdivision.

(Amended by Stats. 2022, Ch. 126, Sec. 1. (AB 2332) Effective January 1, 2023.)

16431. (a) Notwithstanding any other provisions of this code, funds held by the state, pursuant to a written agreement between the state and employees of the state to defer a portion of the compensation otherwise receivable by the state's employees and pursuant to a plan for that deferral as adopted by the state and approved by the Department of General Services, may be invested in the types of investments set forth in Sections 53601 and 53602 and may additionally be invested in corporate stocks, bonds, and securities, mutual funds, savings and loan accounts, credit union accounts, annuities, mortgages, deeds of trust, or other security interests in real or personal property. Nothing in this section shall be construed to permit any type of investment prohibited by the California Constitution.

(b) Deferred compensation funds are public pension or retirement funds for the purposes of Section 17 of Article XVI of the California Constitution.

(Amended by Stats. 2016, Ch. 31, Sec. 141. (SB 836) Effective June 27, 2016.)