

## **BILL ANALYSIS**

Senate Research Center  
78R4443 JJT-D

H.B. 1109  
By: King (Williams)  
Administration  
5-8-2003  
Engrossed

### **DIGEST AND PURPOSE**

Currently, financial institutions are required to pledge collateral in the form of acceptable investment securities to ensure public deposits. State funds are not comparable to local government funds with regard to collateral requirements. Utilizing letters of credit issued by an agency or instrumentality of the federal government will assure the public depositing entity of the safety of its funds and give the financial institution additional flexibility in managing its balance sheet. H.B. 1109 provides that a letter of credit is eligible as collateral to be pledged with the comptroller to secure state deposits.

### **RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Sections 404.0221(b) and (d), Government Code, as follows:

- (b) Includes letters of credit in the list of collateral eligible to be pledged with the comptroller to secure state deposits.
- (d) Provides that eligible collateral includes only a security with fixed, stated rates or a letter of credit described by Subsection (b)(2) for a stated amount.

SECTION 2. Effective date: September 1, 2003.