

BILL ANALYSIS

S.B. 1624
By: Bivins
Public Education
Committee Report (Amended)

BACKGROUND AND PURPOSE

Currently, the Government Code allows banks to collateralize public funds through the use of declining value mortgage obligations as long as these are backed by the full faith and credit of the United States government or the State of Texas. A change to permit banks to collateralize school district accounts was made in the Government Code, however, the Education Code was never changed. S.B. 1624 amends the Education Code to reflect the change made for other public entities' accounts. This bill clarifies a conflict between the Government Code and the Education Code in relation to the types of investment instruments that banks can use to collateralize public funds.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, institution, or agency.

ANALYSIS

S.B. 1624 amends the Education Code to modify the definition of "approved securities."

S.B. 1624 amends the Government Code to provide that Subsection 2257.022(b) is an exception to the requirement that the total value of eligible security to secure a deposit of public funds be in a certain amount.

The bill requires the total value of eligible security described by Section 45.201(4)(D), Education Code, to secure a deposit of public funds of a school district to be in an amount not less than 110 percent of the amount of the deposit. The bill requires the total market value of the eligible security to be reported at least once each month to the school district.

EFFECTIVE DATE

September 1, 2003.

EXPLANATION OF AMENDMENTS

Committee Amendment No. 1 requires that the total value of an investment security described by Section 45.201(4)(D), Education Code, that is provided as collateral to secure a deposit of school district funds and that has a principal balance that by its terms reduces periodically, be in an amount not less than 102 percent of the amount of the deposit as determined under 2257.022(a), Government Code. Committee Amendment No. 1 requires, at least once each month, a depository to report the total value of such an investment security to the school district whose deposit is secured by the security.

