

By: Hopson (Senate Sponsor - Estes) H.B. No. 256
(In the Senate - Received from the House March 29, 2005;
March 30, 2005, read first time and referred to Committee on State
Affairs; May 2, 2005, reported favorably by the following vote:
Yeas 7, Nays 0; May 2, 2005, sent to printer.)

A BILL TO BE ENTITLED
AN ACT

relating to investments in certificates of deposit by certain
governmental entities.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 2256.010, Government Code, is amended to
read as follows:

Sec. 2256.010. AUTHORIZED INVESTMENTS: CERTIFICATES OF
DEPOSIT AND SHARE CERTIFICATES. (a) A certificate of deposit or
share certificate is an authorized investment under this subchapter
if the certificate is issued by a depository institution that has
its main office or a branch office [state or national bank domiciled
in this state, a savings bank domiciled in this state, or a state or
federal credit union domiciled] in this state and is:

(1) guaranteed or insured by the Federal Deposit
Insurance Corporation or its successor or the National Credit Union
Share Insurance Fund or its successor;

(2) secured by obligations that are described by
Section 2256.009(a), including mortgage backed securities directly
issued by a federal agency or instrumentality that have a market
value of not less than the principal amount of the certificates, but
excluding those mortgage backed securities of the nature described
by Section 2256.009(b); or

(3) secured in any other manner and amount provided by
law for deposits of the investing entity.

(b) In addition to the authority to invest funds in
certificates of deposit under Subsection (a), an investment in
certificates of deposit made in accordance with the following
conditions is an authorized investment under this subchapter:

(1) the funds are invested by an investing entity
through a depository institution that has its main office or a
branch office in this state and that is selected by the investing
entity;

(2) the depository institution selected by the
investing entity under Subdivision (1) arranges for the deposit of
the funds in certificates of deposit in one or more federally
insured depository institutions, wherever located, for the account
of the investing entity;

(3) the full amount of the principal and accrued
interest of each of the certificates of deposit is insured by the
United States or an instrumentality of the United States;

(4) the depository institution selected by the
investing entity under Subdivision (1) acts as custodian for the
investing entity with respect to the certificates of deposit issued
for the account of the investing entity; and

(5) at the same time that the funds are deposited and
the certificates of deposit are issued for the account of the
investing entity, the depository institution selected by the
investing entity under Subdivision (1) receives an amount of
deposits from customers of other federally insured depository
institutions, wherever located, that is equal to or greater than
the amount of the funds invested by the investing entity through the
depository institution selected under Subdivision (1).

SECTION 2. This Act takes effect immediately if it receives
a vote of two-thirds of all the members elected to each house, as
provided by Section 39, Article III, Texas Constitution. If this
Act does not receive the vote necessary for immediate effect, this
Act takes effect September 1, 2005.

