

By: Christian

H.B. No. 3004

A BILL TO BE ENTITLED

1 AN ACT

2 relating to the investment of public funds, including making
3 investments in ways that benefit the state and local economies, and
4 to the selection of local financial institutions for the deposit of
5 public funds.

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

7 SECTION 1. Subchapter B, Chapter 2256, Government Code, is
8 amended by adding Sections 2256.056 and 2256.057 to read as
9 follows:

10 Sec. 2256.056. INVESTMENTS TO BENEFIT STATE OR LOCAL
11 ECONOMY. (a) To the extent allowed under the constitution of this
12 state, each investing entity and each person investing funds on
13 behalf of an investing entity shall determine, for each investment
14 of funds, whether it is reasonably possible to make an investment
15 that will probably provide a benefit to the state economy and that
16 is an equally prudent investment, under the standard of care
17 applicable to the investment decision, in comparison to alternative
18 investments that would probably provide no benefit or insignificant
19 benefits to the state economy. If the person making the investment
20 decision determines that it is reasonably possible to make the
21 equally prudent investment that will probably provide a benefit to
22 the state economy, the person shall invest the funds in that manner.

23 (b) Each investing entity that is a local government and
24 each person investing funds on behalf of the local government shall

1 also determine, for each investment of funds and to the extent
2 allowed under the constitution of this state, whether it is
3 reasonably possible to make an investment that will probably
4 provide a benefit to the local economy and that is an equally
5 prudent investment, under the standard of care applicable to the
6 investment decision, in comparison to alternative investments that
7 would probably provide no benefit or insignificant benefits to the
8 local economy. If the person making the investment decision
9 determines that it is reasonably possible to make the equally
10 prudent investment that will probably provide a benefit to the
11 local economy, the person shall invest the funds in that manner.

12 Sec. 2256.057. ACHIEVING HIGHER YIELD WHEN LIQUIDITY NEEDS
13 ALLOW; APPLICABILITY OF SUBCHAPTER A TO EXEMPT ENTITIES IN CERTAIN
14 CIRCUMSTANCES. (a) In this section, "state or local governmental
15 entity" includes a district or county clerk responsible for
16 registry funds and other state or local governmental entities that
17 hold funds in trust for the benefit of another person.

18 (b) The comptroller by rule shall establish liquidity
19 requirements applying to funds held by state and local governmental
20 entities and adapted to the different types, sizes, and missions of
21 those entities.

22 (c) To the extent a state or local governmental entity holds
23 funds in amounts that exceed the amounts needed to satisfy
24 applicable liquidity requirements, the state or local governmental
25 entity shall invest the excess funds in a manner designed to achieve
26 a higher yield than depository interest.

27 (d) When the entity needs greater liquidity than provided

1 under applicable liquidity requirements, a state or local
2 governmental entity may hold funds in a depository, for a defined
3 period, in amounts that exceed the applicable liquidity requirement
4 established under Subsection (b). The entity must state in writing
5 the reason the entity needs greater liquidity during the defined
6 period.

7 (e) The state or local governmental entity shall invest the
8 amount of funds that exceed liquidity requirements in investments
9 that the entity is authorized to make:

10 (1) under Subchapter A or other law; and

11 (2) under the investment standard of care applicable
12 to the entity.

13 (f) If the state or local governmental entity is not
14 authorized by other law to invest any of its funds in a manner other
15 than to deposit the funds in a depository or in the state treasury,
16 the entity shall invest the funds in an investment authorized by
17 Subchapter A under the standard of care prescribed by Section
18 2256.006, without regard to whether the entity is otherwise
19 authorized to invest funds under Subchapter A or is specifically
20 exempted from the application of Subchapter A.

21 SECTION 2. Section 404.024, Government Code, is amended by
22 adding Subsection (m) to read as follows:

23 (m) In making investments under Subsection (b), the
24 comptroller shall determine, for each investment of state funds,
25 whether it is reasonably possible to make an investment that will
26 probably provide a benefit to the state economy and that is an
27 equally prudent investment in comparison to alternative

1 investments allowed under Subsection (b) that would probably
2 provide no benefit or insignificant benefits to the state economy.
3 If the comptroller determines that it is reasonably possible to
4 make such an equally prudent investment that will probably provide
5 a benefit to the state economy, the comptroller shall invest the
6 state funds in that manner.

7 SECTION 3. Subchapter Z, Chapter 131, Local Government
8 Code, is amended by adding Section 131.904 to read as follows:

9 Sec. 131.904. LOCAL FINANCIAL INSTITUTIONS. Each political
10 subdivision, including a county, municipality, school district, or
11 other district, shall adopt procedures to ensure that local
12 financial institutions that are eligible to be selected as a
13 depository for funds under the political subdivision's control:

14 (1) have:

15 (A) a reasonable opportunity to learn before the
16 selection decision is made that the political subdivision will be
17 selecting a depository; and

18 (B) sufficient time after learning of the
19 selection process to prepare and file a valid application for
20 selection as a depository; and

21 (2) can obtain timely, correct information from the
22 political subdivision about any requirements for making the
23 application.

24 SECTION 4. This Act takes effect September 1, 2007.