

By: Farrar

H.B. No. 3751

A BILL TO BE ENTITLED

AN ACT

relating to the use of certain letters of credit as related to the deposit and investment of public funds.

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

SECTION 1. Section 2256.009, Government Code, is amended to read as follows:

Sec. 2256.009. AUTHORIZED INVESTMENTS: OBLIGATIONS OF, OR GUARANTEED BY GOVERNMENTAL ENTITIES. (a) Except as provided by Subsection (b), the following are authorized investments under this subchapter:

(1) obligations~~[, including letters of credit,]~~ of the United States or its agencies and instrumentalities;

(2) direct obligations of this state or its agencies and instrumentalities;

(3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States;

(4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, this state or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and

1 credit of the United States;

2 (5) obligations of states, agencies, counties,
3 cities, and other political subdivisions of any state rated as to
4 investment quality by a nationally recognized investment rating
5 firm not less than A or its equivalent; and

6 (6) bonds issued, assumed, or guaranteed by the State
7 of Israel.

8 (b) The following are not authorized investments under this
9 section:

10 (1) obligations whose payment represents the coupon
11 payments on the outstanding principal balance of the underlying
12 mortgage-backed security collateral and pays no principal;

13 (2) obligations whose payment represents the
14 principal stream of cash flow from the underlying mortgage-backed
15 security collateral and bears no interest;

16 (3) collateralized mortgage obligations that have a
17 stated final maturity date of greater than 10 years; ~~and~~

18 (4) collateralized mortgage obligations the interest
19 rate of which is determined by an index that adjusts opposite to the
20 changes in a market index; and

21 (5) letters of credit that are an obligation of the
22 United States or its agencies or instrumentalities.

23 SECTION 2. Section 2257.002(5), Government Code, is amended
24 to read as follows:

25 (5) "Investment security" means:

26 (A) an obligation, including a letter of credit,
27 that in the opinion of the attorney general of the United States is

1 a general obligation of the United States and backed by its full
2 faith and credit;

3 (B) a general or special obligation issued by a
4 public agency that is payable from taxes, revenues, or a
5 combination of taxes and revenues; or

6 (C) a security in which a public entity may
7 invest under Subchapter A, Chapter 2256.

8 SECTION 3. The change in law made by this Act to Section
9 2256.009, Government Code, applies only to an investment of public
10 funds by a governmental entity made on or after the effective date
11 of this Act. An investment of public funds made by a governmental
12 entity before the effective date of this Act is governed by the law
13 in effect on the date the investment was made, and the former law is
14 continued in effect for that purpose.

15 SECTION 4. This Act takes effect September 1, 2013.