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| BILL ANALYSIS |

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| C.S.H.B. 2647 |
| By: Stephenson |
| Investments & Financial Services |
| Committee Report (Substituted) |

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| **BACKGROUND AND PURPOSE** Interested parties contend that there is uncertainty regarding whether money market deposit accounts are authorized investments under the Public Funds Investment Act. C.S.H.B. 2647 seeks to resolve any confusion by making such accounts authorized investments under the act. |
| **CRIMINAL JUSTICE IMPACT**It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision. |
| **RULEMAKING AUTHORITY** It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution. |
| **ANALYSIS** C.S.H.B. 2647 amends the Government Code to make interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor, with certain exceptions, authorized investments under the Public Funds Investment Act. The bill also makes interest-bearing banking deposits other than such guaranteed or insured deposits authorized investments under the act if certain conditions apply.  |
| **EFFECTIVE DATE** On passage, or, if the bill does not receive the necessary vote, September 1, 2017. |
| **COMPARISON OF ORIGINAL AND SUBSTITUTE**While C.S.H.B. 2647 may differ from the original in minor or nonsubstantive ways, the following comparison is organized and formatted in a manner that indicates the substantial differences between the introduced and committee substitute versions of the bill. |
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| INTRODUCED | HOUSE COMMITTEE SUBSTITUTE |
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| SECTION 1. Section 2256.009(a), Government Code, is amended to read as follows:(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 credit of the United States;(5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; [~~and~~](6) bonds issued, assumed, or guaranteed by the State of Israel; and(7) interest-bearing banking deposits or other obligations that are guaranteed or insured by:(A) the Federal Deposit Insurance Corporation or its successor; or(B) the National Credit Union Share Insurance Fund or its successor. | SECTION 1. Section 2256.009(a), Government Code, is amended to read as follows:(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 credit of the United States;(5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; [~~and~~](6) bonds issued, assumed, or guaranteed by the State of Israel;(7) interest-bearing banking deposits that are guaranteed or insured by:(A) the Federal Deposit Insurance Corporation or its successor; or(B) the National Credit Union Share Insurance Fund or its successor; and(8) interest-bearing banking deposits other than those described by Subdivision (7) if:(A) the funds invested in the banking deposits are invested through:(i) a broker with a main office or branch office in this state that the investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025; or(ii) a depository institution with a main office or branch office in this state that the investing entity selects;(B) the broker or depository institution selected as described by Paragraph (A) arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account;(C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and(D) the investing entity appoints as the entity's custodian of the banking deposits issued for the entity's account:(i) the depository institution selected as described by Paragraph (A);(ii) an entity described by Section 2257.041(d); or(iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3). |
| SECTION 2. The changes in law made by this Act apply only to authorized investments of public funds governed by Section 2256.009, Government Code, as amended by this Act, that are made on or after the effective date of this Act. An authorized investment of public funds made before the effective date of this Act is governed by the law in effect immediately before that date, and that law is continued in effect for that purpose. | SECTION 2. Same as introduced version. |
| SECTION 3. 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, 2017. | SECTION 3. Same as introduced version. |

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