

AN ACT

relating to authorized investments for governmental entities and a study of the investment and management of funds by public schools.

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

SECTION 1. Sections 2256.011(a) and (b), Government Code, are amended to read as follows:

(a) A fully collateralized repurchase agreement is an authorized investment under this subchapter if the repurchase agreement:

(1) has a defined termination date;

(2) is secured by a combination of cash and obligations described by Section 2256.009(a)(1) or 2256.013 or, if applicable, Section 2256.0204; ~~and~~

(3) requires the securities being purchased by the entity or cash held by the entity to be pledged to the entity, held in the entity's name, and deposited at the time the investment is made with the entity or with a third party selected and approved by the entity; and

(4) is placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in this state.

(b) In this section, "repurchase agreement" means a simultaneous agreement to buy, hold for a specified time, and sell back at a future date obligations described by Section

1 2256.009(a)(1) or 2256.013 or, if applicable, Section 2256.0204, at  
2 a market value at the time the funds are disbursed of not less than  
3 the principal amount of the funds disbursed. The term includes a  
4 direct security repurchase agreement and a reverse security  
5 repurchase agreement.

6 SECTION 2. Section 2256.013, Government Code, is amended to  
7 read as follows:

8 Sec. 2256.013. AUTHORIZED INVESTMENTS: COMMERCIAL PAPER.  
9 Commercial paper is an authorized investment under this subchapter  
10 if the commercial paper:

11 (1) has a stated maturity of 365 [~~270~~] days or fewer  
12 from the date of its issuance; and

13 (2) is rated not less than A-1 or P-1 or an equivalent  
14 rating by at least:

15 (A) two nationally recognized credit rating  
16 agencies; or

17 (B) one nationally recognized credit rating  
18 agency and is fully secured by an irrevocable letter of credit  
19 issued by a bank organized and existing under the laws of the United  
20 States or any state.

21 SECTION 3. Sections 2256.016(e) and (f), Government Code,  
22 are amended to read as follows:

23 (e) In this section, for purposes of an investment pool for  
24 which a \$1.00 net asset value is maintained, "yield" shall be  
25 calculated in accordance with regulations governing the  
26 registration of open-end management investment companies under the  
27 Investment Company Act of 1940, as promulgated from time to time by

1 the federal Securities and Exchange Commission.

2 (f) To be eligible to receive funds from and invest funds on  
3 behalf of an entity under this chapter:

4 (1) [✓] a public funds investment pool that uses  
5 amortized cost or fair value accounting must mark its portfolio to  
6 market daily; [✓] and

7 (2) if the investment pool uses amortized cost:

8 (A) the investment pool must, to the extent  
9 reasonably possible, stabilize at a \$1.00 net asset value, when  
10 rounded and expressed to two decimal places;

11 (B) the governing body of the investment pool  
12 must, if [✓-If] the ratio of the market value of the portfolio  
13 divided by the book value of the portfolio is less than 0.995 or  
14 greater than 1.005, [~~the governing body of the public funds~~  
15 ~~investment pool shall~~] take action as the body determines necessary  
16 to eliminate or reduce to the extent reasonably practicable any  
17 dilution or unfair result to existing participants, including a  
18 sale of portfolio holdings to attempt to maintain the ratio between  
19 0.995 and 1.005; and

20 (C) the investment pool must, in [✓-In] addition  
21 to the requirements of its investment policy and any other forms of  
22 reporting, [~~a public funds investment pool that uses amortized cost~~  
23 ~~shall~~] report yield to its investors in accordance with regulations  
24 of the federal Securities and Exchange Commission applicable to  
25 reporting by money market funds.

26 SECTION 4. Subchapter A, Chapter 2256, Government Code, is  
27 amended by adding Section 2256.0208 to read as follows:

1       Sec. 2256.0208. LOCAL GOVERNMENT INVESTMENT OF BOND  
2 PROCEEDS AND PLEDGED REVENUE. (a) In this section, "pledged  
3 revenue" means money pledged to the payment of or as security for:

4           (1) bonds or other indebtedness issued by a local  
5 government;

6           (2) obligations under a lease, installment sale, or  
7 other agreement of a local government; or

8           (3) certificates of participation in a debt or  
9 obligation described by Subdivision (1) or (2).

10       (b) The investment officer of a local government may invest  
11 bond proceeds or pledged revenue only to the extent permitted by  
12 this chapter, in accordance with:

13           (1) statutory provisions governing the debt issuance  
14 or the agreement, as applicable; and

15           (2) the local government's investment policy regarding  
16 the debt issuance or the agreement, as applicable.

17       SECTION 5. Section [2256.0204\(g\)](#), Government Code, is  
18 repealed.

19       SECTION 6. (a) The Texas Education Agency shall conduct a  
20 study regarding the investment and management of funds by school  
21 districts and open-enrollment charter schools. On request of the  
22 agency, a district or school or the entity that invests or manages  
23 funds for the district or school, as appropriate, shall provide the  
24 agency information regarding:

25           (1) the district's or school's investments, including  
26 asset allocations, fees, and risks; and

27           (2) the district's or school's cash flow, fund

1 balances, and other revenue sources.

2 (b) Not later than June 1, 2020, the Texas Education Agency  
3 shall deliver a report to the governor, the lieutenant governor,  
4 the speaker of the house of representatives, and each standing  
5 committee of the legislature having primary jurisdiction over  
6 primary and secondary education that includes:

7 (1) the findings of the study; and

8 (2) any recommendations for legislative action based  
9 on the findings of the study.

10 (c) This section expires September 1, 2021.

11 SECTION 7. This Act takes effect September 1, 2019.

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President of the Senate

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Speaker of the House

I certify that H.B. No. 2706 was passed by the House on April 25, 2019, by the following vote: Yeas 132, Nays 4, 1 present, not voting; and that the House concurred in Senate amendments to H.B. No. 2706 on May 23, 2019, by the following vote: Yeas 142, Nays 2, 2 present, not voting.

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Chief Clerk of the House

I certify that H.B. No. 2706 was passed by the Senate, with amendments, on May 21, 2019, by the following vote: Yeas 31, Nays 0.

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Secretary of the Senate

APPROVED: \_\_\_\_\_

Date

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Governor