

By: Capriglione, Lambert

H.B. No. 2706

Substitute the following for H.B. No. 2706:

By: Stephenson

C.S.H.B. No. 2706

A BILL TO BE ENTITLED

AN ACT

relating to authorized investments for governmental entities.

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 [2256.009](#)(a)(1) or [2256.013](#) or, if applicable, Section [2256.0204](#), at

1 a market value at the time the funds are disbursed of not less than  
2 the principal amount of the funds disbursed. The term includes a  
3 direct security repurchase agreement and a reverse security  
4 repurchase agreement.

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

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

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

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

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

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

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

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

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

3 (1) ~~[7]~~ a public funds investment pool that uses  
4 amortized cost or fair value accounting must mark its portfolio to  
5 market daily; ~~[7]~~ and

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

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

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

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

25 SECTION 4. Section [2256.0204\(b\)](#), Government Code, is  
26 amended to read as follows:

27 (b) This section applies only to an independent school

1 district [~~that qualifies as an issuer as defined by Section~~  
2 ~~1371.001~~].

3 SECTION 5. Subchapter A, Chapter 2256, Government Code, is  
4 amended by adding Section 2256.0208 to read as follows:

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

8 (1) bonds or other indebtedness issued by a local  
9 government;

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

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

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

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

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

21 SECTION 6. Section 2256.0204(g), Government Code, is  
22 repealed.

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