

By: Capriglione

H.B. No. 2706

A BILL TO BE ENTITLED

AN ACT

relating to local government public investment of funds.

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

SECTION 1. Section 2256.010(b), Government Code, is amended to read as follows:

(b) In addition to the authority to invest funds in certificates of deposit under Subsection (a), an investment in certificates of deposit made in accordance with the following conditions is an authorized investment under this subchapter:

(1) the funds are invested by an investing entity through:

(A) a broker that has its main office or a branch office in this state and is selected from a list adopted by the investing entity as required by Section 2256.025; or

(B) a depository institution that has its main office or a branch office in this state and that is selected by the investing entity;

(2) the broker or the depository institution selected by the investing entity under Subdivision (1) arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the investing entity;

(3) the full amount of the principal and accrued interest of each of the certificates of deposit;

1 (A) is insured by the United States or an
2 instrumentality of the United States; or

3 (B) has a stated maturity of 365 days or fewer
4 from the date of its issuance; and

5 (i) is rated not less than A-1 or P-1 or an
6 equivalent rating by at least two nationally recognized credit
7 rating agencies; or

8 (ii) one nationally recognized credit
9 rating agency and is fully secured by an irrevocable letter of
10 credit issues by a bank organized and existing under the laws of the
11 United States or any state.

12 (4) the investing entity appoints the depository
13 institution selected by the investing entity under Subdivision (1),
14 an entity described by Section 2257.041(d), or a clearing
15 broker-dealer registered with the Securities and Exchange
16 Commission and operating pursuant to Securities and Exchange
17 Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian
18 for the investing entity with respect to the certificates of
19 deposit issued for the account of the investing entity.

20 SECTION 2. Subsections (a) and (b), Section 2256.011,
21 Government Code, are amended to read as follows:

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

25 (1) has a defined termination date;

26 (2) is secured by a combination of cash and
27 obligations described by Section 2256.009(a)(1), Section 2256.013,

1 or Section 2256.0204; and

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

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

10 (b) In this section, "repurchase agreement" means a
11 simultaneous agreement to buy, hold for a specified time, and sell
12 back at a future date obligations described by Section
13 2256.009(a)(1), Section 2256.013, or Section 2256.0204, at a market
14 value at the time the funds are disbursed of not less than the
15 principal amount of the funds disbursed. The term includes a direct
16 security repurchase agreement and a reverse security repurchase
17 agreement.

18 SECTION 3. Section 2256.013, Government Code, is amended to
19 read as follows:

20 Sec. 2256.013. AUTHORIZED INVESTMENTS: COMMERCIAL PAPER.
21 Commercial paper is an authorized investment under this subchapter
22 if the commercial paper:

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

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

27 (A) two nationally recognized credit rating

1 agencies; or

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

6 SECTION 4. Subsections (e) and (f), Section [2256.016](#),
7 Government Code, are amended to read as follows:

8 (e) In this section, for pools that intend to maintain a
9 \$1.00 net asset value, "yield" shall be calculated in accordance
10 with regulations governing the registration of open-end management
11 investment companies under the Investment Company Act of 1940, as
12 promulgated from time to time by the federal Securities and
13 Exchange Commission.

14 (f) To be eligible to receive funds from and invest funds on
15 behalf of an entity under this chapter, a public funds investment
16 pool that uses amortized cost or fair value accounting must mark its
17 portfolio to market daily, and, to the extent reasonably possible,
18 pools that used amortized cost will stabilize at a \$1.00 net asset
19 value, when rounded and expressed to two decimal places. For pools
20 that use amortized cost, if [~~if~~] the ratio of the market value of
21 the portfolio divided by the book value of the portfolio is less
22 than 0.995 or greater than 1.005, the governing body of the public
23 funds investment pool shall take action as the body determines
24 necessary to eliminate or reduce to the extent reasonably
25 practicable any dilution or unfair result to existing participants,
26 including a sale of portfolio holdings to attempt to maintain the
27 ratio between 0.995 and 1.005. In addition to the requirements of

1 its investment policy and any other forms of reporting, a public
2 funds investment pool that uses amortized cost shall report yield
3 to its investors in accordance with regulations of the federal
4 Securities and Exchange Commission applicable to reporting by money
5 market funds.

6 SECTION 5. Section 2256.0204, Government Code, is amended
7 to read as follows:

8 (b) This section applies only to an independent school
9 district [~~that qualifies as an issuer as defined by Section~~
10 ~~1371.001~~].

11 SECTION 6. Chapter 2256, Government Code, is amended to add
12 Section 2256.0207 to read as follows:

13 Sec. 2256.0207. BOND PROCEEDS INVESTMENTS. Money held by a
14 trustee or fiscal agent and pledged to the payment or security of
15 bonds or other indebtedness, or obligations under a lease,
16 installation sale, or other agreement of a local agency, or
17 certificates of participation in those bonds, indebtedness, or
18 lease installment sale, or other agreements, may be invested:

19 (1) in accordance with the statutory provisions
20 governing the issuance of those bonds, indebtedness, or lease
21 installment sales, or other agreement; or

22 (2) to the extent not inconsistent with or if there are
23 no specific statutory provisions, in accordance with the investment
24 policy the local government provides for the bond issuance.

25 SECTION 7. Chapter 2256.0204(g) is repealed.

26 SECTION 8. This Act takes effect September 1, 2019.