

By: Middleton

H.B. No. 3125

A BILL TO BE ENTITLED

AN ACT

relating to the investment authority of an independent school district.

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

SECTION 1. Section 2256.0204, Government Code, is amended by amending Subsections (c), (d), (e), and (g) and adding Subsection (c-1) to read as follows:

(c) In addition to authorized investments permitted by this subchapter, an independent school district subject to this section may purchase, sell, and invest its funds and funds under its control in:

(1) corporate bonds that, at the time of purchase, are rated by a nationally recognized investment rating firm "AA-" or the equivalent and have a stated final maturity that is not later than the third anniversary of the date the corporate bonds were purchased; and

(2) any other kind of investment that a prudent investor, exercising reasonable care, skill, and caution, would acquire or retain in light of the purposes, terms, distribution requirements, and other circumstances of the district's funds or funds under its control then prevailing, taking into consideration the investment of all of the district's funds and funds under its control rather than a single investment.

(c-1) To the extent the investment standard of care provided

1 by Subsection (c)(2) conflicts with the standard of care provided
2 by Section 2256.006, the standard of care provided by Subsection
3 (c)(2) applies with regard to investments authorized by that
4 subdivision.

5 (d) An independent school district subject to this section
6 is not authorized by this section to:

7 (1) invest in the aggregate more than 15 percent of its
8 monthly average fund balance, excluding bond proceeds, reserves,
9 and other funds held for the payment of debt service, in corporate
10 bonds or other kinds of investments authorized by Subsection
11 (c)(2); or

12 (2) invest more than 25 percent of the funds invested
13 in corporate bonds in any one domestic business entity, including
14 subsidiaries and affiliates of the entity.

15 (e) An independent school district subject to this section
16 may purchase, sell, and invest its funds and funds under its control
17 in corporate bonds or other kinds of investments authorized by
18 Subsection (c)(2) if the governing body of the district:

19 (1) amends its investment policy to authorize
20 corporate bonds or other kinds of investments authorized by
21 Subsection (c)(2) as an eligible investment;

22 (2) adopts procedures to provide for:

23 (A) monitoring rating changes in corporate bonds
24 acquired with public funds; and

25 (B) liquidating the investment in corporate
26 bonds or other kinds of investments authorized by Subsection
27 (c)(2); and

1 (3) identifies the funds eligible to be invested in
2 corporate bonds or other kinds of investments authorized by
3 Subsection (c)(2).

4 (g) Corporate bonds or other kinds of investments
5 authorized by Subsection (c)(2) are not an eligible investment for
6 a public funds investment pool.

7 SECTION 2. This Act takes effect immediately if it receives
8 a vote of two-thirds of all the members elected to each house, as
9 provided by Section 39, Article III, Texas Constitution. If this
10 Act does not receive the vote necessary for immediate effect, this
11 Act takes effect September 1, 2019.