

House Bill 2706
Senate Amendments
Section-by-Section Analysis

HOUSE VERSION

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

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

Sec. 2256.013. **AUTHORIZED INVESTMENTS: COMMERCIAL PAPER.** Commercial paper is an

SENATE VERSION (CS)

SECTION 1. Same as House version.

SECTION 2. Same as House version.

CONFERENCE

House Bill 2706
Senate Amendments
Section-by-Section Analysis

HOUSE VERSION

authorized investment under this subchapter if the commercial paper:

- (1) has a stated maturity of 365 [~~270~~] days or fewer from the date of its issuance; and
- (2) is rated not less than A-1 or P-1 or an equivalent rating by at least:
 - (A) two nationally recognized credit rating agencies; or
 - (B) one nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state.

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

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

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

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

(2) if the investment pool uses amortized cost:

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

SENATE VERSION (CS)

SECTION 3. Same as House version.

CONFERENCE

House Bill 2706
Senate Amendments
Section-by-Section Analysis

HOUSE VERSION

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

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

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

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

- (1) bonds or other indebtedness issued by a local government;
- (2) obligations under a lease, installment sale, or other agreement of a local government; or
- (3) certificates of participation in a debt or obligation described by Subdivision (1) or (2).

SENATE VERSION (CS)

SECTION 4. Same as House version.

CONFERENCE

House Bill 2706
Senate Amendments
Section-by-Section Analysis

HOUSE VERSION

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

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

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

SECTION 5. Section 2256.0204(g), Government Code, is repealed.

No equivalent provision.

SENATE VERSION (CS)

SECTION 5. Same as House version.

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

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

(2) the district's or school's cash flow, fund balances, and other revenue sources.

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

(1) the findings of the study; and

CONFERENCE

House Bill 2706
Senate Amendments
Section-by-Section Analysis

HOUSE VERSION

SENATE VERSION (CS)

CONFERENCE

- (2) any recommendations for legislative action based on the findings of the study.
- (c) This section expires September 1, 2021.

SECTION 6. This Act takes effect September 1, 2019.

SECTION 7. Same as House version.