By:  Huffman S.B. No. 767

A BILL TO BE ENTITLED

AN ACT

relating to investments made by the comptroller of public accounts with state funds not deposited in state depositories.

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

SECTION 1.  Section 404.024, Government Code, is amended by amending Subsections (b) and (c) and adding Subsections (c-1) and (c-2) to read as follows:

(b)  Subject to Chapter 2270, state funds not deposited in state depositories shall be invested by the comptroller in:

(1)  direct security repurchase agreements;

(2)  reverse security repurchase agreements;

(3)  direct obligations of or obligations the principal and interest of which are guaranteed by the United States;

(4)  direct obligations of or obligations guaranteed by agencies or instrumentalities of the United States government;

(5)  bankers' acceptances that:

(A)  are eligible for purchase by the Federal Reserve System;

(B)  do not exceed 270 days to maturity; and

(C)  are issued by a bank whose other comparable short-term obligations are rated in the highest short-term rating category, within which there may be subcategories or gradations indicating relative standing, including such subcategories or gradations as "rating category" or "rated," by a nationally recognized statistical rating organization, as defined by 15 U.S.C. Section 78c;

(6)  commercial paper that:

(A)  does not exceed 365 [~~270~~] days to maturity; and

(B)  except as provided by Subsection (i), is issued by an entity whose other comparable short-term obligations are rated in the highest short-term rating category by a nationally recognized statistical rating organization;

(7)  contracts written by the treasury in which the treasury grants the purchaser the right to purchase securities in the treasury's marketable securities portfolio at a specified price over a specified period and for which the treasury is paid a fee and specifically prohibits naked-option or uncovered option trading;

(8)  direct obligations of or obligations guaranteed by the Inter-American Development Bank, the International Bank for Reconstruction and Development (the World Bank), the African Development Bank, the Asian Development Bank, and the International Finance Corporation that have received the highest long-term rating categories for debt obligations by a nationally recognized statistical rating organization;

(9)  bonds issued, assumed, or guaranteed by the State of Israel;

(10)  obligations of a state or an agency, county, city, or other political subdivision of a state;

(11)  mutual funds secured by obligations that are described by Subdivisions (1) through (6) or by obligations consistent with Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated by the Securities and Exchange Commission, including pooled funds:

(A)  established by the Texas Treasury Safekeeping Trust Company;

(B)  operated like a mutual fund; and

(C)  with portfolios consisting only of dollar-denominated securities;

(12)  foreign currency for the sole purpose of facilitating investment by state agencies that have the authority to invest in foreign securities;

(13)  asset-backed securities, as defined by the Securities and Exchange Commission in Rule 2a-7 (17 C.F.R. Section 270.2a-7), that are rated at least A or its equivalent by a nationally recognized statistical rating organization and that have a weighted-average maturity of five years or less; and

(14)  corporate debt obligations that are rated at least A or its equivalent by a nationally recognized statistical rating organization and mature in five years or less from the date on which the obligations were "acquired," as defined by the Securities and Exchange Commission in Rule 2a-7 (17 C.F.R. Section 270.2a-7).

(c)  Investments in direct security repurchase agreements and reverse security repurchase agreements may be:

(1)  placed through [~~made with~~] state or national banks doing business in this state or with primary dealers as approved by the Federal Reserve System; or

(2)  made directly with a state agency with the authority to invest in repurchase agreements.

(c-1)  For purposes of Subsection (c), "state agency" means:

(1)  an office, department, commission, board, or agency that is part of any branch of state government;

(2)  an institution of higher education; or

(3)  a nonprofit corporation acting on behalf of an entity described by Subdivision (1) or (2).

(c-2)  Notwithstanding any other law, the term of any reverse security repurchase agreement made by the comptroller may not exceed 90 days after the date the reverse security repurchase agreement is delivered. Money received by the comptroller under the terms of a reverse security repurchase agreement may be used to acquire additional authorized investments, but the term of the authorized investments acquired must mature not later than the expiration date stated in the reverse security repurchase agreement.

SECTION 2.  This Act takes effect September 1, 2021.