

Chapter 1133

H.B. No. 2706

1 AN ACT
2 relating to authorized investments for governmental entities and a
3 study of the investment and management of funds by public schools.

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

5 SECTION 1. Sections 2256.011(a) and (b), Government Code,
6 are amended to read as follows:

7 (a) A fully collateralized repurchase agreement is an
8 authorized investment under this subchapter if the repurchase
9 agreement:

10 (1) has a defined termination date;

11 (2) is secured by a combination of cash and
12 obligations described by Section 2256.009(a)(1) or 2256.013 or, if
13 applicable, Section 2256.0204; [and]

14 (3) requires the securities being purchased by the
15 entity or cash held by the entity to be pledged to the entity, held
16 in the entity's name, and deposited at the time the investment is
17 made with the entity or with a third party selected and approved by
18 the entity; and

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

22 (b) In this section, "repurchase agreement" means a
23 simultaneous agreement to buy, hold for a specified time, and sell
24 back at a future date obligations described by Section

1 2256.009(a)(1) or 2256.013 or, if applicable, Section 2256.0204, at
2 a market value at the time the funds are disbursed of not less than
3 the principal amount of the funds disbursed. The term includes a
4 direct security repurchase agreement and a reverse security
5 repurchase agreement.

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

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

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

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

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

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

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

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

1 the federal Securities and Exchange Commission.

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

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

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

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

11 (B) the governing body of the investment pool
12 must, if [~~If~~] the ratio of the market value of the portfolio
13 divided by the book value of the portfolio is less than 0.995 or
14 greater than 1.005, [~~the governing body of the public funds~~
15 ~~investment pool shall~~] take action as the body determines necessary
16 to eliminate or reduce to the extent reasonably practicable any
17 dilution or unfair result to existing participants, including a
18 sale of portfolio holdings to attempt to maintain the ratio between
19 0.995 and 1.005; and

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

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

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

4 (1) bonds or other indebtedness issued by a local
5 government;

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

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

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

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

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

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

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

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

27 (2) the district's or school's cash flow, fund

1 balances, and other revenue sources.

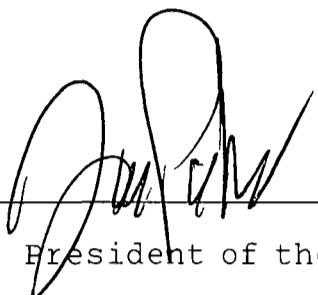
2 (b) Not later than June 1, 2020, the Texas Education Agency
3 shall deliver a report to the governor, the lieutenant governor,
4 the speaker of the house of representatives, and each standing
5 committee of the legislature having primary jurisdiction over
6 primary and secondary education that includes:

7 (1) the findings of the study; and

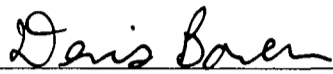
8 (2) any recommendations for legislative action based
9 on the findings of the study.

10 (c) This section expires September 1, 2021.

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



President of the Senate



Speaker of the House

I certify that H.B. No. 2706 was passed by the House on April 25, 2019, by the following vote: Yeas 132, Nays 4, 1 present, not voting; and that the House concurred in Senate amendments to H.B. No. 2706 on May 23, 2019, by the following vote: Yeas 142, Nays 2, 2 present, not voting.



Chief Clerk of the House

I certify that H.B. No. 2706 was passed by the Senate, with amendments, on May 21, 2019, by the following vote: Yeas 31, Nays 0.

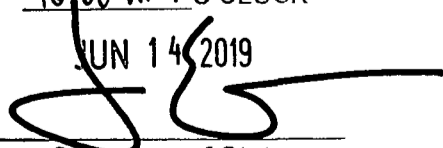


Secretary of the Senate

APPROVED: 6-12-2019
Date



Governor

FILED IN THE OFFICE OF THE
SECRETARY OF STATE
10:00 AM O'CLOCK
JUN 14 2019


Secretary of State