

1-1 By: Capriglione, Lambert H.B. No. 2706  
1-2 (Senate Sponsor - Nelson)  
1-3 (In the Senate - Received from the House April 26, 2019;  
1-4 April 29, 2019, read first time and referred to Committee on State  
1-5 Affairs; May 15, 2019, reported adversely, with favorable  
1-6 Committee Substitute by the following vote: Yeas 9, Nays 0;  
1-7 May 15, 2019, sent to printer.)

1-8 COMMITTEE VOTE

1-9		Yea	Nay	Absent	PNV
1-10	Huffman	X			
1-11	Hughes	X			
1-12	Birdwell	X			
1-13	Creighton	X			
1-14	Fallon	X			
1-15	Hall	X			
1-16	Lucio	X			
1-17	Nelson	X			
1-18	Zaffirini	X			

1-19 COMMITTEE SUBSTITUTE FOR H.B. No. 2706 By: Zaffirini

1-20 A BILL TO BE ENTITLED  
1-21 AN ACT

1-22 relating to authorized investments for governmental entities and a  
1-23 study of the investment and management of funds by public schools.

1-24 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-25 SECTION 1. Sections 2256.011(a) and (b), Government Code,  
1-26 are amended to read as follows:

1-27 (a) A fully collateralized repurchase agreement is an  
1-28 authorized investment under this subchapter if the repurchase  
1-29 agreement:

1-30 (1) has a defined termination date;

1-31 (2) is secured by a combination of cash and  
1-32 obligations described by Section 2256.009(a)(1) or 2256.013 or, if  
1-33 applicable, Section 2256.0204; ~~and~~

1-34 (3) requires the securities being purchased by the  
1-35 entity or cash held by the entity to be pledged to the entity, held  
1-36 in the entity's name, and deposited at the time the investment is  
1-37 made with the entity or with a third party selected and approved by  
1-38 the entity; and

1-39 (4) is placed through a primary government securities  
1-40 dealer, as defined by the Federal Reserve, or a financial  
1-41 institution doing business in this state.

1-42 (b) In this section, "repurchase agreement" means a  
1-43 simultaneous agreement to buy, hold for a specified time, and sell  
1-44 back at a future date obligations described by Section  
1-45 2256.009(a)(1) or 2256.013 or, if applicable, Section 2256.0204, at  
1-46 a market value at the time the funds are disbursed of not less than  
1-47 the principal amount of the funds disbursed. The term includes a  
1-48 direct security repurchase agreement and a reverse security  
1-49 repurchase agreement.

1-50 SECTION 2. Section 2256.013, Government Code, is amended to  
1-51 read as follows:

1-52 Sec. 2256.013. AUTHORIZED INVESTMENTS: COMMERCIAL PAPER.  
1-53 Commercial paper is an authorized investment under this subchapter  
1-54 if the commercial paper:

1-55 (1) has a stated maturity of 365 [~~270~~] days or fewer  
1-56 from the date of its issuance; and

1-57 (2) is rated not less than A-1 or P-1 or an equivalent  
1-58 rating by at least:

1-59 (A) two nationally recognized credit rating  
1-60 agencies; or

2-1 (B) one nationally recognized credit rating  
2-2 agency and is fully secured by an irrevocable letter of credit  
2-3 issued by a bank organized and existing under the laws of the United  
2-4 States or any state.

2-5 SECTION 3. Sections 2256.016(e) and (f), Government Code,  
2-6 are amended to read as follows:

2-7 (e) In this section, for purposes of an investment pool for  
2-8 which a \$1.00 net asset value is maintained, "yield" shall be  
2-9 calculated in accordance with regulations governing the  
2-10 registration of open-end management investment companies under the  
2-11 Investment Company Act of 1940, as promulgated from time to time by  
2-12 the federal Securities and Exchange Commission.

2-13 (f) To be eligible to receive funds from and invest funds on  
2-14 behalf of an entity under this chapter:

2-15 (1) ~~[r]~~ a public funds investment pool that uses  
2-16 amortized cost or fair value accounting must mark its portfolio to  
2-17 market daily; ~~[r]~~ and

2-18 (2) if the investment pool uses amortized cost:  
2-19 (A) the investment pool must, to the extent  
2-20 reasonably possible, stabilize at a \$1.00 net asset value, when  
2-21 rounded and expressed to two decimal places;

2-22 (B) the governing body of the investment pool  
2-23 must, if ~~[. If]~~ the ratio of the market value of the portfolio  
2-24 divided by the book value of the portfolio is less than 0.995 or  
2-25 greater than 1.005, ~~[the governing body of the public funds~~  
2-26 ~~investment pool shall]~~ take action as the body determines necessary  
2-27 to eliminate or reduce to the extent reasonably practicable any  
2-28 dilution or unfair result to existing participants, including a  
2-29 sale of portfolio holdings to attempt to maintain the ratio between  
2-30 0.995 and 1.005; and

2-31 (C) the investment pool must, in ~~[. In]~~ addition  
2-32 to the requirements of its investment policy and any other forms of  
2-33 reporting, ~~[a public funds investment pool that uses amortized cost~~  
2-34 ~~shall]~~ report yield to its investors in accordance with regulations  
2-35 of the federal Securities and Exchange Commission applicable to  
2-36 reporting by money market funds.

2-37 SECTION 4. Subchapter A, Chapter 2256, Government Code, is  
2-38 amended by adding Section 2256.0208 to read as follows:

2-39 Sec. 2256.0208. LOCAL GOVERNMENT INVESTMENT OF BOND  
2-40 PROCEEDS AND PLEDGED REVENUE. (a) In this section, "pledged  
2-41 revenue" means money pledged to the payment of or as security for:

2-42 (1) bonds or other indebtedness issued by a local  
2-43 government;

2-44 (2) obligations under a lease, installment sale, or  
2-45 other agreement of a local government; or

2-46 (3) certificates of participation in a debt or  
2-47 obligation described by Subdivision (1) or (2).

2-48 (b) The investment officer of a local government may invest  
2-49 bond proceeds or pledged revenue only to the extent permitted by  
2-50 this chapter, in accordance with:

2-51 (1) statutory provisions governing the debt issuance  
2-52 or the agreement, as applicable; and

2-53 (2) the local government's investment policy regarding  
2-54 the debt issuance or the agreement, as applicable.

2-55 SECTION 5. Section 2256.0204(g), Government Code, is  
2-56 repealed.

2-57 SECTION 6. (a) The Texas Education Agency shall conduct a  
2-58 study regarding the investment and management of funds by school  
2-59 districts and open-enrollment charter schools. On request of the  
2-60 agency, a district or school or the entity that invests or manages  
2-61 funds for the district or school, as appropriate, shall provide the  
2-62 agency information regarding:

2-63 (1) the district's or school's investments, including  
2-64 asset allocations, fees, and risks; and

2-65 (2) the district's or school's cash flow, fund  
2-66 balances, and other revenue sources.

2-67 (b) Not later than June 1, 2020, the Texas Education Agency  
2-68 shall deliver a report to the governor, the lieutenant governor,  
2-69 the speaker of the house of representatives, and each standing

3-1 committee of the legislature having primary jurisdiction over  
3-2 primary and secondary education that includes:  
3-3 (1) the findings of the study; and  
3-4 (2) any recommendations for legislative action based  
3-5 on the findings of the study.  
3-6 (c) This section expires September 1, 2021.  
3-7 SECTION 7. This Act takes effect September 1, 2019.

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