

## **BILL ANALYSIS**

C.S.H.B. 2706  
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Pensions, Investments & Financial Services  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

There have been calls to revise the Public Funds Investment Act to account for the evolution of financial markets and to address certain other issues, such as internal inconsistencies that treat securities with similar risk profiles differently. C.S.H.B. 2706 seeks to make these revisions.

### **CRIMINAL JUSTICE IMPACT**

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

### **ANALYSIS**

C.S.H.B. 2706 amends the Government Code to authorize the investment officer of a local government to invest bond proceeds or pledged revenue only to the extent permitted by the Public Funds Investment Act, in accordance with statutory provisions governing the debt issuance or the agreement and the local government's investment policy regarding the debt issuance or the agreement, as applicable. The bill defines "pledged revenue" as money pledged to the payment of or as security for:

- bonds or other indebtedness issued by a local government;
- obligations under a lease, installment sale, or other agreement of a local government; or
- certificates of participation in a such a debt or obligation.

C.S.H.B. 2706 makes a fully collateralized repurchase agreement an authorized investment under the Public Funds Investment Act if it is secured by a combination of cash and obligations as required for authorized investments in commercial paper or by an independent school district. The bill changes from 270 days or fewer to 365 days or fewer the required stated maturity period from the date of issuance for an investment in commercial paper to be an authorized investment under the act.

C.S.H.B. 2706 clarifies that the calculation of yield for an authorized investment through an eligible investment pool applies to only a pool for which a \$1.00 net asset value is maintained. The bill removes language limiting the applicability of statutory provisions relating to authorized investments for independent school districts to only districts that qualify as an issuer under statutory provisions relating to obligations for certain public improvements.

C.S.H.B. 2706 repeals Section 2256.0204(g), Government Code, which establishes that corporate bonds are not an eligible investment for a public funds investment pool.

**EFFECTIVE DATE**

September 1, 2019.

**COMPARISON OF ORIGINAL AND SUBSTITUTE**

While C.S.H.B. 2706 may differ from the original in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.

The substitute does not include a provision making certain investments in a certificate of deposit an authorized investment for a governmental entity under the Public Funds Investment Act.

The substitute does not include provisions authorizing certain money pledged to the payment or security of indebtedness or obligation under certain agreements to be invested under the act in accordance with certain statutory provisions or investment policy but does include provisions authorizing the investment officer of a local government to invest bond proceeds or pledged revenue only to the extent permitted by the act and in accordance with statutory provisions governing the debt issuance or agreement and the local government's applicable investment policy.

The substitute revises provisions clarifying the applicability of a yield calculation relating to characteristics of the applicable investment pools.