

BILL ANALYSIS

Senate Research Center
77R8465 JJT-D

H.B. 2957
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Finance
5/10/2001
Engrossed

DIGEST AND PURPOSE

State law determines if a federal home loan bank (FHLB) letter of credit can serve as collateral for a municipal fund depository. Currently, the Public Funds Investment Act provides an indirect reference to FHLB letters of credit by providing that obligations of United States agencies and instrumentalities are authorized investments that may serve as collateral for the deposit of public funds. However, since letters of credit are not specifically mentioned, some municipalities are wary of relying on FHLB letters of credit to serve as collateral for their deposit funds. H.B. 2957 clarifies that letters of credit may be used as security for a deposit of public funds.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 2256.009(a), Government Code, to provide that, except as provided by Subsection (b), obligations, including letters of credit, of the United States or its agencies and instrumentalities are authorized investments under this subchapter.

SECTION 2. Effective date: September 1, 2001.