

- SUBJECT:** Revising the Public Funds Investment Act
- COMMITTEE:** Pensions, Investments and Financial Services — committee substitute recommended
- VOTE:** 8 ayes — Truitt, Anchia, Anderson, Flynn, Hernandez, Hopson, Parker, Veasey
0 nays
1 absent — Woolley
- WITNESSES:** For — Art Alfaro, Government Treasurers' Organization of Texas; Mary Ann Dunda, First Southwest Asset Management; Mary Mayes, Travis County; (*Registered, but did not testify:* William Chapman, TexSTAR; Deece Eckstein, Travis County Commissioners Court; Mary Mayes, Government Treasures Organization of Texas; Chris Melton, Coastal Securities, Inc.; Greg Warner, First Southwest Asset Management)
Against — None
- BACKGROUND:** Government Code, ch. 2256 outlines regulations for the Public Funds Investment Act (PFIA). The PFIA governs the investment of government funds in Texas. Under this law, specific parameters are set for Texas governmental bodies, requiring them to adopt investment policies and designate an investment officer who is required to attend an approved training course.
- DIGEST:** CSHB 3607 would amend a number of sections in ch. 2256 of the Government Code relating to the Public Funds Investment Act.

The bill would require investment policies of government entities to include procedures to monitor rating changes in investments acquired with public funds and the liquidation of these funds.

To maintain eligibility to receive funds from and invest funds on behalf of a government entity, an investment pool would have to provide to the investment officer the yield and expense ratio of the pool, including a statement outlining how the yield was calculated, in addition to other

requirements. Additionally, a public funds investment pool created to function as a money market mutual fund would have to report yield to its investors according to existing federal regulations.

CSHB 3607 would add that certificates of deposits (CDs) were authorized investments for government entities as long as the investment met the following conditions:

- funds would be invested by an investing entity through a broker selected from a list adopted by the investing entity;
- the broker selected by the investing entity would arrange for the deposit of funds in CDs in one or more federally insured depository institutions for the account of the investing entity; and
- the full amount of the principal and accrued interest of each CD would be insured.

Additionally, the bill would amend a number of other provisions, including:

- changing the period of required training from every two years to once in each state fiscal biennium;
- requiring a disclosure report to be posted on the website of investment pools;
- requiring an investment pool to make available to a government entity the annual audited financial statements for the investment pool in which the entity has funds invested; and
- allowing local governments to invest funds it receives from its oil, gas, and other mineral development leases and contracts.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2009.