

BILL ANALYSIS

Senate Research Center
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H.B. 2709
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Finance
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Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Chapter 2256, Government Code, imposes certain requirements on the investment of funds by public entities. Generally, an investment must be either adequately collateralized by an investment security, or be guaranteed or insured by the Federal Deposit Insurance Corporation. The legislature authorized public entities to invest in certificates of deposit through a bank with its main office or a branch office in Texas that invests in certificates of deposit held by other federally insured financial institutions in a manner that ensures that the full amount of the principal and interest of each of the certificates of deposit is federally insured. In addition, the bank with which the public entity invests was eligible to receive deposit funds from other financial institutions to increase its available funds for loans and transactions.

H.B. 2709 provides public entities with additional options for the placement of their funds while ensuring that they are federally insured. The bill allows public entities to invest some of their funds in demand accounts rather than tying them up in timed deposits. The bill assists smaller banks who may wish to compete for public deposits but for whom it may be difficult to commit funds to collateralize public deposits.

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 2256.010, Government Code, as follows:

Sec. 2256.010. New heading: AUTHORIZED INVESTMENTS: CERTIFICATES OF DEPOSIT, SHARE CERTIFICATES, AND INSURED DEPOSIT ACCOUNTS. (a) Provides that a certificate of deposit, a share certificate, or an insured deposit account is an authorized investment under this subchapter (Authorized Investments For Governmental Entities) if the certificate or account is issued by or established with a depository institution that has its main office or a branch office in Texas and meets certain criteria.

(b) Provides that an investment in certificates of deposit or in insured deposit accounts made in accordance with certain conditions set forth is an authorized investment under this subchapter, in addition to the authority to invest funds as provided by Subsection (a). Makes conforming changes.

SECTION 2. Effective date: upon passage or September 1, 2007.