

**CHAPTER 820**

**S.B. No. 529**

**AN ACT**

relating to the investment of public funds in collateralized mortgage obligations.

*Be it enacted by the Legislature of the State of Texas:*

SECTION 1. Subsection (a), Section 2, Public Funds Investment Act of 1987 (Article 842a-2, Vernon's Texas Civil Statutes), as amended by Chapters 39, 628, 693, and 750, Acts of the 71st Legislature, Regular Session, 1989, is amended to read as follows:

(a) An incorporated city or town, a county, a public school district, a district or authority created under Article III, Section 52(b)(1) or (2), or Article XVI, Section 59, of the Texas Constitution, an institution of higher education as defined by Section 61.003 of the Education Code, a hospital district, a fresh water supply district, or any nonprofit corporation or public funds investment pool created under The Interlocal Cooperation Act (Article 4413(32c), Vernon's Texas Civil Statutes) acting on behalf of any of those entities, or a navigation district organized under Article III, Section 52, or Article XVI, Section 59, of the Texas Constitution may, in accordance with this Act, purchase, sell, and invest its funds and funds under its control in the following:

- (1) obligations of the United States or its agencies and instrumentalities;
- (2) direct obligations of the State of Texas or its agencies;
- (3) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and instrumentalities;
- (4) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent;
- (5) certificates of deposit issued by state and national banks domiciled in this state that are:
  - (A) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or
  - (B) secured by obligations that are described by Subdivisions (1)–(4) of this subsection, which are intended to include all direct federal agency or instrumentality issued mortgage backed securities that have a market value of not less than the principal amount of the certificates or in any other manner and amount provided by law for deposits of the investing entities;
- (6) certificates of deposit issued by savings and loan associations domiciled in this state that are:
  - (A) guaranteed or insured by the Federal Savings and Loan Insurance Corporation, or its successor; or
  - (B) secured by obligations that are described by Subdivisions (1)–(4) of this subsection, which are intended to include all direct federal agency or instrumentality issued mortgage backed securities that have a market value of not less than the principal amount of the certificates or in any other manner and amount provided by law for deposits of the investing entities;
- (7) prime domestic bankers' acceptances;
- (8) commercial paper with a stated maturity of 270 days or less from the date of its issuance that either:
  - (A) is rated not less than A-1, P-1, or the equivalent by at least two nationally recognized credit rating agencies; or
  - (B) is rated at least A-1, P-1, or the equivalent by at least one nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state thereof; [and]
- (9) fully collateralized repurchase agreements having a defined termination date, secured by obligations described by Subdivision (1) of this subsection, pledged with a third party selected or approved by the political entity, and placed through a primary government securities dealer, as defined by the Federal Reserve, or a bank domiciled in this state; and

*(10) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States.*

SECTION 2. Section 2256.006, Government Code, as added by Section 1, S.B. No. 248, Acts of the 73rd Legislature, Regular Session, 1993, is amended to read as follows:

Sec. 2256.006. AUTHORIZED INVESTMENTS: OBLIGATIONS OF, OR GUARANTEED BY, GOVERNMENTAL ENTITIES. The following are authorized investments under this subchapter:

- (1) obligations of the United States or its instrumentalities;
- (2) direct obligations of this state or its agencies;
- (3) *collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States;*
- (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by this state or the United States or its instrumentalities; and
- (5) [4] obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent.

SECTION 3. (a) Except as provided by Subsections (b) and (c) of this section, this Act takes effect September 1, 1993.

(b) If S.B. No. 248, Acts of the 73rd Legislature, Regular Session, 1993, finally passes and is approved by the governor, Section 1 of this Act has no effect.

(c) If S.B. No. 248, Acts of the 73rd Legislature, Regular Session, 1993, does not finally pass or is not approved by the governor, Section 2 of this Act has no effect.

SECTION 4. The importance of this legislation and the crowded condition of the calendars in both houses create an emergency and an imperative public necessity that the constitutional rule requiring bills to be read on three several days in each house be suspended, and this rule is hereby suspended.

Passed the Senate on March 30, 1993, by a viva-voce vote; passed the House on May 26, 1993, by a non-record vote.

Approved June 19, 1993.

Effective Sept. 1, 1993, except § 1 has no effect pursuant to § 3(b).