

CHAPTER 131

S.B. No. 806

AN ACT

relating to the investment of state funds.

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

SECTION 1. Section 1.001, Treasury Act (Article 4393-1, Vernon's Texas Civil Statutes), is amended to read as follows:

Sec. 1.001. DEFINITIONS. In this Act:

- (1) "Board" means the State Depository Board.
- (2) "Demand deposit" means a deposit that is payable on demand.
- (3) "Market value" means the fair and reasonable prevailing price at which a security is being sold on the open market at the time of the appraisal of the security by the treasurer.
- (4) "Direct security [~~Security~~] repurchase agreement" means an agreement *under which the state buys, holds [to buy, hold] for a specified time, and then sells [sell] back any of the following securities, obligations, or participation certificates:*
 - (A) United States government securities;
 - (B) direct obligations of or obligations the principal and interest of which are guaranteed by the United States; and
 - (C) direct obligations of or participation certificates guaranteed by the Federal Intermediate Credit Bank, [~~a Federal Land Bank,~~] the Federal National Mortgage Association, the Federal Farm Credit System, the Student Loan Marketing Association, and the Federal Home Loan Mortgage Corporation [~~a Federal Home Loan Bank, or a Bank for Cooperatives~~].
- (5) "Reverse security repurchase agreement" means an agreement *under which the state sells and after a specified time buys back any of the securities, obligations, or participation certificates listed in Paragraphs (A) through (C) of Subdivision 4.*
- (6) [(5)] "Time deposit" means a deposit for which there is in force a contract providing that neither the whole nor a part of the deposit may be withdrawn *by check or otherwise* before the expiration of the period of notice that must be given in writing in advance of a withdrawal.
- (7) [(6)] "Treasurer" means the State Treasurer.
- (8) [(7)] "Treasury" means state funds subject to the custody and control of the State Treasurer and available for appropriation by the legislature.

SECTION 2. Section 2.014, Treasury Act (Article 4393-1, Vernon's Texas Civil Statutes), is amended by amending Subsections (a), (b), and (d) and by adding Subsection (e) to read as follows:

(a) The board may determine and designate the amount of state funds to be deposited in state depositories, the amount of those deposits that shall be demand deposits and the amount that shall be time deposits, and the amount of state funds that shall be invested by the treasurer in:

- (1) *direct security repurchase agreements;*
- (2) *reverse security repurchase agreements;*
- (3) *direct obligations of or obligations the principal and interest of which are guaranteed by the United States; and*
- (4) *direct obligations of or participation certificates guaranteed by the Federal Intermediate Credit Bank, the Federal National Mortgage Association, the Federal Farm Credit System, the Student Loan Marketing Association, and the Federal Home Loan Mortgage Corporation [and United States Treasury bills].*

(b) The amount invested in *obligations and participations authorized by Subdivisions (3) and (4) of Subsection (a) [United States Treasury bills]* at any one time may not

exceed 40 [10] percent of the average daily balance of all state funds eligible for deposit or investment under this Act. Investments in *direct security repurchase agreements and reverse security repurchase agreements* may be made [only] with state or national banks domiciled in this state *or with primary dealers as approved by the Federal Reserve System.*

(d) Not more than 20 percent of the aggregate funds on deposit *in financial institutions* at any time may be in depository institutions other than banks.

(e) *To the extent practicable, the State Treasurer shall give first consideration to Texas banks when investing in direct security repurchase agreements.*

SECTION 3. Chapter 71, Acts of the 69th Legislature, Regular Session, 1985, is repealed.

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, and that this Act take effect and be in force from and after its passage, and it is so enacted.

Passed the Senate on April 9, 1987, by the following vote: Yeas 31, Nays 0. Passed the House on May 8, 1987, by the following vote: Yeas 134, Nays 0, one present not voting.

Approved May 20, 1987.

Effective May 20, 1987.