

BILL ANALYSIS

Senate Research Center
76R5426 GCH-F

S.B. 719
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Finance
3/18/1999
As Filed

DIGEST

For the past several years, the Office of the Comptroller of Public Accounts has been reviewing Community Reinvestment Act (CRA) ratings for banks or savings and loan institutions. The CRA ratings are used as an indication of how well banks and savings and loan institutions meet their respective communities' credit needs. The CRA rating does not accurately rate some state depositories that have merged with larger out-of-state financial institutions in order to participate in interstate branch banking. A financial institution must complete an application from the comptroller's office to be eligible to become a state depository bank. The comptroller of public accounts (comptroller) does not have the authority to utilize outside private professional money managers. S.B. 719 would prohibit the comptroller from selecting financial institutions with ratings below "outstanding record of meeting community credit needs" or "satisfactory record of meeting community credit needs" and authorize the comptroller to contract with private investment managers to assist in investing funds.

PURPOSE

As proposed, S.B. 719 regulates the comptroller's depositing and investing of funds.

RULEMAKING AUTHORITY

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

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 404.0212(d), Government Code, to prohibit the comptroller from selecting a regulated financial institution for which the entire institution has been assigned a rating below "outstanding record of meeting community credit needs" or "satisfactory record of meeting community credit needs" under 12 U.S.C. Section 2906, as a depository.

SECTION 2. Amends Section 404.022, Government Code, to require the comptroller, not later than the first business day in June, rather than on the second Tuesday, to mail each eligible institution a letter stating the conditions with which applicants for designation as a state depository must comply. Requires the designation as a state depository application to include a statement of the amount of the applicant's paid capital stock and permanent surplus, if any; the maximum amount of state time deposits, rather than funds, the applicant will accept; and the applicant's condition according to the most recent financial statement on the date the application is submitted. Requires the comptroller to inform applicants whether they have been designated as state depositories as soon as practicable after the comptroller has made its designations. Deletes text prohibiting an application for state funds from being granted; authorizing a comptroller to designate an applicant as a state depository; and authorizing the comptroller to send all institutions notices. Redesignates existing Section (i) as (h).

SECTION 3. Amends Section 404.023, Government Code, to require the comptroller to designate one or more state depository banks with main offices or one or more branches in centrally located cities to be used for clearing checks and other obligations due to the state.

SECTION 4. Amends Section 404.024, Government Code, by amending Subsection (g) and adding Subsections (j) and (k), as follows:

(g) Makes a conforming change.

(j) Requires the comptroller, if required by law to invest funds other than as provided by this

section, and if other law does not establish a conflicting standard governing that investment, to invest funds under the restrictions and procedures for making the investments that persons of ordinary prudence would follow in the management of their own affairs, with regard to permanent disposition of their funds, considering the probable safety of their capital.

(k) Authorizes the comptroller to contract with private professional investment managers to assist the comptroller in investing funds under the care, custody, and control of the comptroller.

SECTION 5. Amends Sections 404.031(a) and (f), Government Code, as follows:

(a) Authorizes the comptroller to deposit state funds with a depository only if the depository has pledged with the comptroller eligible investment securities acceptable to the comptroller in an amount not less than the amount of deposits to be secured.

(f) Authorizes a state depository to deposit pledged securities with a federal reserve bank or federal home loan bank, rather than the Federal Reserve Bank of Dallas or the Federal Home Loan Bank of Dallas, instead of depositing pledged securities with the comptroller.

SECTION 6. Effective date: September 1, 1999.

SECTION 7. Emergency clause.