

SUBJECT: Allowing public investment in State of Israel bonds by certain entities

COMMITTEE: Pensions and Investments — favorable, without amendment

VOTE: 5 ayes — Greenberg, Bonnen, George, Rangel, Salinas
0 nays
4 absent — Tillery, Clark, Telford, Williams

SENATE VOTE: On final passage, Local and Uncontested Calendar, May 6 — 30-0

WITNESSES: None

BACKGROUND: In 1993, the 73rd Legislature authorized state agencies, universities, public retirement systems, and certain political subdivisions to invest in bonds of the State of Israel. In 1995, a rewrite of the Public Funds Investment Act removed the authority for county and municipal governments to invest in such bonds.

DIGEST: SB 1834 would amend the Government Code to provide that bonds issued, assumed, or guaranteed by the State of Israel are authorized investments for governmental entities.

This bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house.

SUPPORTERS SAY: The 1995 rewrite of the Public Funds Investment Act inadvertently omitted a provision authorizing county and municipal governments to invest in bonds issued, assumed, or guaranteed by the State of Israel. SB 1834 would correct that oversight and restore the Legislature’s intent to provide investment flexibility for county and municipal governments.

OPPONENTS SAY: SB 1834 expressly would authorize public fund investment in bonds issued, assumed, or guaranteed by the State of Israel. Designating one country expressly could create a precedent whereby other constituencies would push to have the bonds of certain countries designated as an authorized investment without regard to the financial soundness of the investment. All of the other

SB 1834
House Research Organization
page 2

investments authorized by this statute are based on financial instruments issued and guaranteed by the U.S. government.

OTHER
OPPONENTS
SAY:

Authorizing investment in Israeli bonds without a reciprocal authorization for financial instruments of adjacent Arab states could affect the cordial relations Texas oil producers have had with oil-producing Arab states.

NOTES:

HB 3009 by Greenberg, relating to investments and audits under the Public Funds Investment Act, contains a provision identical to that of SB 1834. HB 3009 passed the House on May 11, was reported favorably by the Senate State Affairs Committee on May 14, and has been placed on the Senate Intent Calendar.