

SUBJECT: Exempting certain school districts and cities from investment training

COMMITTEE: Pensions, Investments and Financial Services — favorable, without amendment

VOTE: 11 ayes — Murphy, Vo, Capriglione, Flynn, Gervin-Hawkins, Gutierrez, Lambert, Leach, Longoria, Stephenson, Wu

0 nays

WITNESSES: For — (Registered, but did not testify: Michael Lee, Texas Association of Rural Schools; Monty Wynn, Texas Municipal League; John Grey, Texas School Alliance)

Against — None

On — (Registered, but did not testify: Dominic Giarratani, Texas Association of School Boards)

BACKGROUND: Government Code sec. 2256.008(a-1) requires the treasurer or chief financial officer, as appropriate, and investment officer of a school district or municipality to complete an investment training session at least once in an applicable two-year period and receive at least eight hours of instruction relating to investment responsibilities under the Public Funds Investment Act from an independent source approved by the district's or municipality's governing body.

DIGEST: HB 293 would exempt the treasurer or chief financial officer, as appropriate, and investment officer of a school district or municipality from otherwise required investment trainings if the district or municipality:

- did not invest district or municipal funds; or
• only deposited those funds in interest-bearing deposit accounts or certificates of deposit.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2019.

**SUPPORTERS
SAY:**

HB 293 would remove an unnecessary and unfunded training mandate on school districts and municipalities that do not invest public funds or invest only in certain low-risk financial products. The purpose of requiring investment training for local government financial officers is to provide the stewards of public funds with a minimal amount of risk-based investment training to encourage responsible investing. However, some school districts and municipalities invest only in interest-bearing deposit accounts and certificates of deposit (CDs), which are FDIC-insured and therefore risk-free investments guaranteed by the federal government. For those school districts and municipalities, investment training serves no purpose and is an unnecessary drain on time and financial resources.

Any school district or municipality that is investing public funds into any type of asset other than interest-bearing deposit accounts or CDs would still have to complete the training. If a school district or municipality that invested only in interest-bearing deposit accounts and CDs changed their policy and began investing in other assets, their financial officer would be required to complete the investment trainings.

The bill appropriately would preserve a minimal amount of required training for financial officers who invest public funds in investment pools. While investment pools are low-risk investments, they are not FDIC-insured and thus carry some risk. Requiring those responsible for investing public funds to be trained serves an important public interest. Exempting school districts and municipalities that invest in investment pools from training requirements could lead to even more exemptions in the future, which would undermine the purpose of required investment training.

**OPPONENTS
SAY:**

While HB 293 would provide important relief for school districts and municipalities that invest only in interest-bearing deposit accounts and CDs, the training exemption should be extended to school districts and

municipalities that invest in investment pools. Investment pools are created under state law to invest public funds jointly on behalf of participating entities, and they prioritize preservation and safety of principal and liquidity over yield. They are managed by highly qualified investment staff who partake in biennial Public Funds Investment Act training and other federal and state training and licensing requirements. In current practice, some school districts and municipalities use investment pools like checking accounts. Investment training is an unnecessary and wasteful mandate on those school districts and municipalities who invest only in interest-bearing deposit accounts and CDs, as well as in investment pools.