

## **BILL ANALYSIS**

Senate Research Center

H.B. 138  
By: Woolley (Bivins)  
Finance  
4-23-97  
Engrossed

### **DIGEST**

Article 16, Section 70, Texas Constitution, adopted in 1988, created the Texas growth fund (fund), a trust fund that can invest in private companies with major business interests in Texas. The fund can make private equity investments for the Permanent University Fund (PUF), Permanent School Fund (PSF), and state-created pension funds, including the Teacher Retirement System (TRS) and the Employees Retirement System (ERS).

The fund is a type of closed-in mutual fund to which the participants commit a certain amount of money, which is invested as appropriate investment opportunities become available. The fund has made two rounds of investments totalling \$127 million: in 1991, the PUF and TRS committed \$52 million, and in 1995, the PUF, TRS, and San Antonio Fire and Police and Pension Fund committed \$75 million.

The PUF, PSF, ERS, and TRS have a combined market value of \$77.6 billion as of August 31, 1996. These funds may invest up to 1 percent of their fund value in the fund. Up to 10 percent of the growth fund can be invested in "venture capital," stocks and bonds with potential for substantial investment returns, such as business with potential for rapid growth and applied research leading to formation of new business.

The 1988 constitutional amendment also provided that no further investments from the original fund authorization could be made after September 1, 1998. But the amendment also provides that the Texas Legislature can authorize a Texas growth fund II, which will extend the fund's operations until September 1, 2008. This bill would create a Texas growth fund II.

### **PURPOSE**

As proposed, H.B. 138 authorizes the creation of the Texas growth fund II, as provided by Section 70(m), Article XVI, Texas Constitution.

### **RULEMAKING AUTHORITY**

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

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Provides that the creation of Texas growth fund II is authorized, as provided by Section 70(m), Article XVI, Texas Constitution.

SECTION 2. Emergency clause.  
Effective date: upon passage.