

## **BILL ANALYSIS**

Senate Research Center

S.B. 1927  
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Finance  
4/7/2015  
As Filed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

The Economic Stabilization Fund (ESF), as administered by the comptroller of public accounts of the State of Texas (comptroller) and invested by the Texas Treasury Safekeeping Trust Company, is only earning a 0.4 percent rate of return. Since the rate of inflation is currently 1.5 percent, the State of Texas is technically losing money on their investment.

It is important to continue the economic success that Texas has enjoyed in recent years. To prevent further stagnation of state funds, S.B. 1927 will give the comptroller the authority to take a more aggressive investment approach with ESF. The bill also provides flexibility to the legislature to approve or deny proposed investment plans, and requires annual reporting by the comptroller on the performance of those investments.

As proposed, S.B. 1927 amends current law relating to the investment of a portion of the economic stabilization fund balance.

### **RULEMAKING AUTHORITY**

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

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Subchapter C, Chapter 404, Government Code, by adding Section 404.0241, as follows:

Sec. 404.0241. INVESTMENT OF CERTAIN ECONOMIC STABILIZATION FUND BALANCES. (a) Authorizes the comptroller of public accounts of the State of Texas (comptroller), with the approval of the Legislative Budget Board (LBB) under Subsection (c), to invest an amount of the economic stabilization fund equal to the sufficient balance adopted under Section 316.092(d) (requiring the amount of the fund developed under this section to meet certain requirements set forth) for the applicable state fiscal biennium in accordance with the investment standard described by Section 404.024(j) (requiring the comptroller to invest in certain authorized funds). Provides that the comptroller's investment under this subsection is not subject to any other limitation or other requirement provided by Section 404.024 (Authorized Investments).

(b) Requires the comptroller, with the approval of the LBB under Subsection (c), to adjust the investment portfolio of economic stabilization fund money periodically to ensure that, as appropriated money is withdrawn or money is otherwise transferred from the fund or as the sufficient balance adopted under Section 316.092(d) changes, only the amount of funds specified by Subsection (a) is invested in a manner that does not comply with all limitations and other requirements of Section 404.024.

(c) Requires the comptroller, not later than February 1 of each year, in consultation with the investment advisory board (board) established under Section 404.028 (Investment Advisory Board), to submit to the LBB at least two investment plans detailing proposed investments under Subsection (a) or

adjustments under Subsection (b). Provides that at least one of the proposed investment plans may not provide for any participation by the Texas Treasury Safekeeping Trust Company. Requires the LBB to conduct and the comptroller to attend, not later than the 30th day after the date of receiving proposed investment plans from the comptroller, a public hearing on the proposed investment plans. Requires the LBB to approve or disapprove each proposed investment plan not later than the 10th day after the date of the hearing. Authorizes the comptroller, if, after the 10th day after the date of a hearing, the LBB has not approved an investment plan, to, not later than the 40th day after the date of the hearing, submit additional investment plans to the board in the manner described by this section.

(d) Requires the LBB, in consultation with the comptroller, not later than January 1 of each year, to publish an annual report on the risk-adjusted performance of investments under this section during the fiscal year ending on the preceding August 31. Requires the comptroller to provide the LBB with the information the board requests regarding the performance of the investments under this section and, at the request of the board, to appear before the board to present information and receive questions and comments. Requires that the annual report include:

(1) statements of assets and a schedule of changes in book value of the investments under this section;

(2) a summary of the gains, losses, and income from investments under this section on August 31;

(3) an itemized list of the securities held as investments under this section on August 31; and

(4) any other information needed to clearly indicate the nature and extent of the investments under this section and the income realized from those investments.

(e) Requires the comptroller and the LBB to each make the report described by Subsection (d) available on the respective agency's Internet website.

(f) Provides that funds invested under this section are considered for all purposes to be part of the economic stabilization fund.

SECTION 2. Effective date: upon passage or September 1, 2015.