

BILL ANALYSIS

C.S.H.B. 2770
By: Branch
Appropriations
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Deposits made to the economic stabilization fund are held in the form of bonds, securities, and other assets issued or otherwise guaranteed by the United States or agencies or instrumentalities of the United States. These conservative investments provide for a high degree of liquidity, but interested parties contend that they represent a lost opportunity for relatively higher returns through more aggressive investing. C.S.H.B. 2770 supports diversified investment of a certain portion of the balance of the economic stabilization fund.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

C.S.H.B. 2770 amends the Government Code to require the comptroller of public accounts to invest the balance of the economic stabilization fund that exceeds an amount equal to 20 percent of the maximum authorized balance of the fund for the applicable state fiscal biennium, in accordance with the statutorily prescribed standard that the investment be made under the restrictions and procedures for making the investments that persons of ordinary prudence, discretion, and intelligence, exercising the judgment and care under the prevailing circumstances, would follow in management of their own affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income as well as the probable safety of their capital. The bill establishes that the comptroller's investment of that excess balance is not subject to any other limitation or other requirement provided by statutory provisions relating to authorized investments for the state treasury operations of the comptroller. The bill requires the comptroller 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the investment portfolio of economic stabilization fund money periodically to ensure that, as appropriated money is withdrawn or money is otherwise transferred from the fund or as the maximum authorized balance of the fund changes, only the balance of the fund that exceeds the amount specified by the bill is invested in a manner that does not comply with all limitations and other requirements of those statutory provisions.

EFFECTIVE DATE

On passage, or, if the bill does not receive the necessary vote, September 1, 2013.

COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.H.B. 2770 may differ from the original in minor or nonsubstantive ways, the following comparison is organized and highlighted in a manner that indicates the substantial differences between the introduced and committee substitute versions of the bill.

INTRODUCED

SECTION 1. Subchapter C, Chapter 404, Government Code, is amended by adding Section 404.029 to read as follows:

Sec. 404.029. ALTERNATIVE INVESTMENT OF ECONOMIC STABILIZATION FUND. The comptroller may invest an amount of money in the economic stabilization fund, not to exceed one-third of the balance of that fund at the time of the investment, in assets other than bonds, securities, and other assets that are issued or otherwise guaranteed by the United States or agencies or instrumentalities of the United States, to the extent that the investment meets the standard prescribed by Section 404.024(j).

SECTION 2. This Act takes effect immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If this Act does not receive the vote necessary for immediate effect, this Act takes effect September 1, 2013.

HOUSE COMMITTEE SUBSTITUTE

SECTION 1. Subchapter C, Chapter 404, Government Code, is amended by adding Section 404.0241 to read as follows:

Sec. 404.0241. INVESTMENT OF CERTAIN ECONOMIC STABILIZATION FUND BALANCES. (a) The comptroller shall invest the balance of the economic stabilization fund that exceeds an amount equal to 20 percent of the maximum authorized balance of the fund for the applicable state fiscal biennium as prescribed by Section 49-g(g), Article III, Texas Constitution, in accordance with the investment standard described by Section 404.024(j). The comptroller's investment of that excess balance is not subject to any other limitation or other requirement provided by Section 404.024. (b) The comptroller shall 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 maximum authorized balance of the fund as prescribed by Section 49-g(g), Article III, Texas Constitution, changes, only the balance of the fund that exceeds the amount specified by Subsection (a) is invested in a manner that does not comply with all limitations and other requirements of Section 404.024.

SECTION 2. Same as introduced version.