

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION**

**April 9, 2013**

**TO:** Honorable Jim Pitts, Chair, House Committee on Appropriations

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE:** HB2770 by Branch (Relating to the investment of certain money in the economic stabilization fund.), **As Introduced**

**Depending on the amounts and types of investments made by the Comptroller under provisions of the bill, as well as future financial market conditions, there could be an indeterminate revenue gain or loss to the Economic Stabilization Fund.**

The bill would amend Subchapter C, Chapter 404, Government Code by adding Section 404.029 relating to the investment of the Economic Stabilization Fund (ESF). Under provisions of this bill, the Comptroller could invest an amount of money in the ESF that does not exceed one-third of the balance of that fund at the time of the investment in accordance with requirements of Section 404.024 (j) of the Government Code.

Under provisions of this bill, the Comptroller would be authorized to invest money in certain assets other than those currently utilized. Since the exact manner of prudent investment (404.024(j)) is unknown, it is possible that balances so invested would not be in cash form in the state Treasury. While part of the ESF, the invested balance, possibly in assets with terms longer than those used today, would not be shown as a cash balance of the fund in the Comptroller's *Annual Cash Report, Biennial Revenue Estimate*, or other reports that are presented on a cash basis. ESF resources, whether in cash or invested in other instruments, would continue to be available for appropriation through the appropriation process. As a note, placing balances from the fund into higher yielding instruments does, by necessity, incur greater risk. Additionally, the use of assets with long terms will decrease the ease by which the funds may be accessed in case of need. The provisions of the bill would result in a loss of interest earnings on the cash balance estimated in *2014-15 Biennial Revenue Estimate* but this loss, if the affected balance were to be invested in higher yielding instruments, would be offset.

This bill would take effect immediately upon enactment, assuming that it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2013.

**Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 304 Comptroller of Public Accounts  
**LBB Staff:** UP, KK, SD