

## **BILL ANALYSIS**

C.S.H.B. 20  
By: Capriglione  
Appropriations  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

There have been calls for Texas to emulate other states that have special funds that allow the revenue from severance taxes to be invested with the goal of using the earnings for state priorities. C.S.H.B. 20 seeks to achieve this aim by providing for the allocation of certain severance tax revenue to the state highway fund and a new, special fund, known as the Texas legacy fund.

### **CRIMINAL JUSTICE IMPACT**

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

### **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. 20 amends the Government Code to set out provisions for the implementation of the constitutional amendment proposed by H.J.R. 10, 86th Legislature, Regular Session, 2019, which provides for the creation of the Texas legacy fund (TLF) and the Texas legacy distribution fund (TLDF), dedicates earnings on the TLDF to certain state infrastructure projects or the reduction of certain long-term obligations, and provides for the transfer of certain general revenues to the economic stabilization fund, also known as the rainy day fund, the TLF, and the state highway fund.

C.S.H.B. 20 repeals Government Code provisions requiring the speaker of the house of representatives and the lieutenant governor to appoint a select committee to determine and adopt a sufficient rainy day fund balance for each state fiscal biennium for the purpose of making certain constitutionally required transfers of money. The bill requires the comptroller of public accounts instead, on or after the first day but before the 90th day of a state fiscal year, to determine for that fiscal year the amount of the sufficient rainy day fund balance, which the bill sets as an amount equal to seven percent of the certified general revenue-related appropriations for the state fiscal biennium during which the determination is made. The bill sets out procedures for adjusting allocations of oil and gas production tax revenue to the rainy day fund, the TLF, and the state highway fund, as provided by the proposed constitutional amendment, for the purpose of preserving a sufficient rainy day fund balance.

C.S.H.B. 20 authorizes the comptroller, in managing the assets of the rainy day fund, the TLF, and the TLDF, through procedures and subject to restrictions the comptroller establishes for each fund and in amounts the comptroller considers appropriate for each fund, to acquire, exchange, sell, supervise, manage, or retain any kind of investment that a prudent investor exercising

reasonable care, skill, and caution would acquire, exchange, sell, supervise, manage, or retain in light of the purposes, terms, distribution requirements, and other circumstances then prevailing for the applicable fund, taking into consideration the investment of all the applicable fund's assets rather than a single investment. The bill authorizes the comptroller to pool assets of those funds with other state funds for purposes of investment as provided for state funds not deposited in state depositories. The bill sets out the investment objectives and purposes of the rainy day fund, the TLF, and the TLDF.

C.S.H.B. 20 repeals the following provisions of the Government Code:

- Section 316.092
- Section 316.093(c)
- Sections 404.0241(a), (b), and (d)

### **EFFECTIVE DATE**

January 1, 2020, if the constitutional amendment providing for the creation of the Texas legacy fund and the Texas legacy distribution fund, dedicating the Texas legacy distribution fund to certain state infrastructure projects or the reduction of certain long-term obligations, and providing for the transfer of certain general revenues to the rainy day fund, the Texas legacy fund, and the state highway fund is approved by the voters.

### **COMPARISON OF ORIGINAL AND SUBSTITUTE**

While C.S.H.B. 20 may differ from the original in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.

The substitute removes the requirement for the comptroller to reduce certain allocations to the state highway fund to preserve a sufficient rainy day fund balance.