

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

**FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION**

**April 7, 2019**

**TO:** Honorable Jane Nelson, Chair, Senate Committee on Finance

**FROM:** John McGeady, Assistant Director    Sarah Keyton, Assistant Director  
Legislative Budget Board

**IN RE:** **SB69** by Nelson (relating to the allocations of money for transfer to the state highway fund and the economic stabilization fund and the investment of money in the economic stabilization fund.), **Committee Report 1st House, Substituted**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB69, Committee Report 1st House, Substituted: an impact of \$0 through the biennium ending August 31, 2021.

**However, there would be a positive impact of \$226,503,000 to Economic Stabilization Fund through the biennium ending August 31, 2021.**

**General Revenue-Related Funds, Five-Year Impact:**

<b>Fiscal Year</b>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2020	\$0
2021	\$0
2022	\$0
2023	\$0
2024	\$0

**All Funds, Five-Year Impact:**

<b>Fiscal Year</b>	<b>Probable Revenue Gain from Economic Stabilization Fund 599</b>
2020	\$76,641,000
2021	\$149,862,000
2022	\$187,254,000
2023	\$223,609,000
2024	\$260,571,000

**Fiscal Analysis**

The bill would amend various Sections of the Government Code relating to the authority of the Comptroller regarding the management of the General Revenue (GR) fund and the Economic

Stabilization Fund (ESF).

The bill would amend Subchapter H, Chapter 316 of the Government Code regarding the Sufficient Balance of the ESF. The current provisions regarding maintenance of a sufficient balance in the ESF for the purpose of limiting allocations to the State Highway Fund (SHF) pursuant to Section 49-g(c), Article III, Texas Constitution, would be abolished. New provisions for governing allocations of transfers to the ESF and SHF would be added to require determination of a threshold for constitutional transfers to the SHF. The threshold would be determined by the Comptroller as an amount equal to seven percent of the certified general revenue-related appropriations made for that biennium. Section 49-g(c) transfers to the SHF would be limited, and transfers to the ESF increased, as necessary to maintain the threshold amount in the ESF.

The bill would amend Section 404.0241 of the Government Code to provide that the Comptroller may invest up to three-quarters of the balance of the ESF in an investment portfolio managed in accordance with the prudent person investment standard as described by Section 404.024(j), and further, to provide that at all times at least one-quarter of the balance of the ESF must be invested in a manner to ensure the liquidity of the fund.

The bill would take effect September 1, 2019, with the exception that revisions to Chapter 316, Government Code would take effect September 1, 2021.

### **Methodology**

The provisions of the bill modifying the sufficient balance of the ESF would not take effect until fiscal year 2022, therefore the \$7.5 billion sufficient balance adopted by the special joint legislative ESF committee in November 2018 would remain in effect for the 2020-21 biennium. Because the general revenue-related appropriations for the 2022-23 biennium are unknown at this time, the future sufficient balance under the new provisions in the bill can not be estimated. However, as an example, if the new provisions were in place for the 2020-21 biennium, the sufficient balance would be \$8.2 billion, based on appropriation levels in the Senate Committee Substitute for House Bill 1.

Provisions of the bill that would change the share of the ESF balance the Comptroller would be able to invest in accordance with the prudent person investment standard would create a gain to the ESF. The comptroller would be required to keep only 25 percent of the total ESF balance in cash or cash equivalents, while up to 75 percent could be invested in a diversified mix of fixed income investment strategies. The Fund will remain predominantly liquid allowing for short-term access to the funds. The estimated gains to the ESF in the table above are the results of investment gains expected as a result of changes to allowable investment policy and are based on the *2020-21 Biennial Revenue Estimate*. These estimates do not assume any ESF appropriations currently under consideration by the 86th Legislature. Any appropriations made by the 86th Legislature will lower the estimated revenue gains from this bill.

### **Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 304 Comptroller of Public Accounts

**LBB Staff:** WP, KK, SD