

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

April 11, 2021

TO: Honorable Chris Paddie, Chair, House Committee on State Affairs

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB2189 by King, Phil (relating to state contracts with and investments in certain companies that boycott energy companies.), **Committee Report 1st House, Substituted**

The fiscal impact of provisions that would prohibit certain state governmental entities from investing in financial companies that boycott energy companies and prohibit certain governmental entities from executing contracts with the same companies cannot be determined.

The bill would amend the Government Code to prohibit state agencies from contracting with or investing in financial companies that boycott fossil fuel-based energy firms.

The bill would require the Comptroller of Public Accounts (Comptroller) to prepare and maintain, and provide to each state governmental entity, a list of all companies that boycott energy companies. Under certain circumstances, the bill would require state pension systems and the Permanent School Fund to sell, redeem, divest, or withdraw publicly traded securities of a company that boycotts fossil-fuel based energy companies. The bill requires reporting and provides that the Attorney General may bring any action necessary to enforce Chapter 809, Government Code.

The fiscal impact of provisions that amend the Government Code by adding Chapters 809 and 2274, which would prohibit certain state governmental entities from investing in companies that boycott energy companies and prohibit certain governmental entities from executing contracts with the same companies, respectively, cannot be determined. According to the Employees Retirement System (ERS) the bill would have a negative indeterminate fiscal impact to the agency's programs and operations and potentially limits the return potential of ERS investments by restricting entities in which ERS can invest based on non-economic considerations. According to the Teachers Retirement System, the fiscal impact on the pension fund related to the provisions of the bill cannot be determined.

The Comptroller indicates that the agency would need to engage in significant effort to identify companies to which the bill's provisions would apply and that, as such, the agency could have significant administrative costs, but the costs cannot be estimated at this time.

The Office of the Attorney General indicates that any legal work resulting from the passage of this bill could be reasonably absorbed with current resources. The Texas Emergency Services Retirement System indicates that the implementation and on-going monitoring of the provisions of the bill would not have a fiscal impact to the agency.

Local Government Impact

The fiscal implications of the bill cannot be determined at this time.

Source Agencies: 302 Office of the Attorney General, 304 Comptroller of Public Accounts, 323 Teacher Retirement System, 326 Tx Emergency Serv Retirement System, 327 Employees Retirement System

LBB Staff: JMc, SMAT, LCO, MBO, AJL, AF