

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

May 18, 2023

TO: Honorable Dan Patrick, Lieutenant Governor, Senate

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: **SB1246** by Huffman (Relating to authorized investments of public money by certain governmental entities and the confidentiality of certain information related to those investments.), **As Passed 2nd House**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1246, As Passed 2nd House : an impact of \$0 through the biennium ending August 31, 2025.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five- Year Impact:

<i>Fiscal Year</i>	Probable Net Positive/(Negative) Impact to <i>General Revenue Related Funds</i>
2024	\$0
2025	\$0
2026	\$0
2027	\$0
2028	\$0

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable Revenue Gain from <i>TRS Trust Account Fund 960</i>	Probable Revenue Gain from <i>Texas Treasury Safekeeping Trust Company Accounts</i>
2024	\$7,500,000	\$1,500,000
2025	\$7,500,000	\$1,500,000
2026	\$7,500,000	\$1,500,000
2027	\$7,500,000	\$1,500,000
2028	\$7,500,000	\$1,500,000

Fiscal Analysis

The bill would amend Government Code to allow the Comptroller of Public Accounts (CPA) to invest in direct security repurchase agreements and reverse security repurchase agreements directly with a state agency that has the authority to invest in repurchase agreements. The bill would give the Teacher Retirement System (TRS) Board of Trustees the authority to determine the maximum percentage of the value of the total investment portfolio that may be invested in hedge funds. The bill would give the TRS Board the authority to create a title-holding entity for the purpose of investing the retirement system's assets in real property. The bill would reduce the minimum amount of the Economic Stabilization Fund (ESF) balance that is required to be invested in a

manner that ensures the liquidity of that amount from 25.0 percent to 10.0 percent.

Methodology

According to the analysis of TRS and the CPA, the ability to enter into repurchase agreements directly with other state investing entities would result in an estimated savings of \$3.0 million per year, which is assumed to be split evenly between the Texas Treasury Safekeeping Trust Company and the TRS Pension Trust Fund. TRS states that the ability to invest directly in real estate, without the requirement to engage with a third party in the form of a limited partnership would result in an estimated savings to the Pension Trust Fund of \$6.0 million per year.

According to the CPA, the change in investment of ESF balances would have a positive impact, however, due to the timing of the deployment of the new permissible investment strategy and because future allocation of the ESF assets are unknown at this time, the fiscal implications cannot be estimated at this time.

Based on the analysis of the Employees Retirement System (ERS), TRS, the CPA, and the Permanent School Fund Corporation (PSFC) duties and responsibilities associated with implementing the provisions of the bill could be accomplished by utilizing existing resources.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 323 Teacher Retirement System, 327 Employees Retirement System, 706 Texas Permanent School Fund Corporation

LBB Staff: JMc, MOc, ASA, MMo, KK