

BILL ANALYSIS

C.S.H.B. 3900
By: Guillen
Pensions, Investments & Financial Services
Committee Report (Substituted)

BACKGROUND AND PURPOSE

The bill author has informed the committee that local governments are currently not explicitly allowed to consider whether an investment is held in a Texas-based bank, credit union, or investment pool when adopting investment policies for the local government. C.S.H.B. 3900 seeks to allow local governments to prioritize institutions with a physical presence and staff in Texas when making investment decisions, thereby supporting local economies without mandating specific investment allocations, by providing permissive language authorizing local governments to include this consideration in their evaluation criteria.

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. 3900 amends the Government Code to authorize the investment policies for a local government to allow a local government to use in the local government's evaluation criteria a consideration of whether an authorized investment under applicable provisions of the Public Funds Investment Act is in a bank, credit union, or investment pool with a physical location and staff located in Texas.

EFFECTIVE DATE

On passage, or, if the bill does not receive the necessary vote, September 1, 2025.

COMPARISON OF INTRODUCED AND SUBSTITUTE

While C.S.H.B. 3900 may differ from the introduced in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.

With respect to the investment policies for a local government, the substitute omits a provision present in the introduced that required such policies to require at least 35 percent of the local government's funds that the local government's governing body determines are available for investment to be invested in the following authorized investments in a bank located in Texas:

- interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund or their respective successors;

- other interest-bearing banking deposits if the conditions prescribed by state law governing authorized investments for governmental entities are met; or
- an authorized investment described by statutory provisions relating to certificates of deposit and share certificates.

Instead, the substitute includes a provision absent from the introduced authorizing the investment policies to allow a local government to use in the local government's evaluation criteria a consideration of whether an authorized investment is in a bank, credit union, or investment pool with a physical location and staff located in Texas.

The substitute changes the bill's effective date to provide for its possible immediate effect, contingent on receiving the requisite constitutional vote, or September 1, 2025, if it does not receive the requisite constitutional vote, whereas the introduced provided only for the bill to take effect January 1, 2026, with no possibility for immediate effect.