

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

Revision 1

April 28, 2025

TO: Honorable Greg Bonnen, Chair, House Committee on Appropriations

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB104 by Bonnen (relating to the creation of the Texas future fund and the Texas future fund investment review board and to the permissible uses of money in the Texas future fund.), **Committee Report 1st House, Substituted**

The fiscal implications of the bill cannot be determined due to unknown future investment returns of the fund.

The bill would establish the Texas Future Fund as an account within the Economic Stabilization Fund (ESF). The account would be created to invest in frontier technology, industries critical to national defense, and other innovative technologies.

The account would be administered by the Comptroller and investments would be managed based on prudent investor principles.

The bill would allow the Texas Treasury Safekeeping Trust Company (TTSTC) to contract third parties to manage the fund, including auditing and legal review functions.

The bill would establish a nine-member board appointed by the Governor (including members from a list of candidates provided by the Speaker of the House), Lieutenant Governor, and Comptroller, with specific expertise requirements. The initial board member appointments are required to be made by October 1, 2025. The board members would serve staggered six-year terms, with replacements appointed within 30 days of a vacancy. The bill would require a code of ethics and conflict-of-interest standards for board members.

The bill would provide investment oversight responsibilities, investment procedures, prioritization of Texas-based investments, and prohibited factors in investment decisions. The bill would specify which account-related information would be considered public and what would be confidential. The board members would not be compensated for their service, but they would be reimbursed for expenses. The bill would establish due diligence requirements, including written investment memoranda and risk assessments.

The bill would require the Comptroller to allocate \$5 billion in the ESF to the account.

The bill would take effect immediately upon enactment, assuming it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2025.

The bill would require the allocation of \$5 billion from the ESF into the newly established account within ESF. However, the future investment returns of the fund are unknown, thus, the fiscal impact on the state cannot be estimated.

The bill could impact the state's ability to maintain sufficient liquidity. Specifically, Article III, Section 49-g(j) of the Texas Constitution authorizes the Comptroller to transfer money from the ESF to General Revenue Fund to prevent or eliminate a temporary cash deficiency in general revenue. The investments authorized under this bill would be less liquid than current authorizations and could limit the funds available to manage the state's

cash flow.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

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