

BILL ANALYSIS

C.S.H.B. 2658
By: Howard
Appropriations
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Interested parties suggest that the long-term fiscal health of the state hinges in part on paying down its outstanding liabilities. C.S.H.B. 2658 seeks to contribute to that effort by establishing the State of Texas wealth fund to enable the state to set up a consistent revenue stream from the fund's investment and direct that revenue toward certain budget commitments.

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. 2658 amends the Government Code to create the State of Texas wealth fund as a special fund in the state treasury outside the general revenue fund to be administered by the comptroller of public accounts and consisting of all money transferred or credited to the fund at the direction of the legislature or by other law and any gifts, grants, or donations made to the state for a purpose of the fund. The bill provides for the comptroller's investment of the fund's assets and any accounts established in the fund and credits to the fund all interest and other earnings on the fund's principal and accumulated earnings. The bill requires the pro rata portion of the interest received due to the investment of the fund to be credited to the fund on a monthly basis.

C.S.H.B. 2658 limits the appropriation of money in the fund to paying costs of deferred maintenance of state infrastructure, including costs of repair, rehabilitation, or reconstruction of state infrastructure; making payments of the principal of or interest on general obligation bonds of the state or payments under related credit agreements to the extent the payments will help retire the indebtedness before the end of the term of the indebtedness; paying the costs of a new capital project for the state or a new phase of a capital project for the state in lieu of financing the project costs with bonds or other long-term obligations of the state; and funding pension liabilities. The bill prohibits an appropriation for paying the costs of a new capital project or a new phase of a capital project from being made unless staff of the Legislative Budget Board first finds that the direct payment of the costs of the new capital project or new phase of a capital project will achieve significant cost savings compared to using long-term obligations of the state to finance the costs and, in writing, communicates that finding to the lieutenant governor, the speaker of the house of representatives, and the standing committees of each house of the legislature with primary jurisdiction over appropriations. The bill prohibits the legislature from appropriating money from the fund in an amount that would reduce the unappropriated and

unobligated principal balance of the fund to an amount of less than \$2 billion. The bill exempts the fund from the application of statutory provisions relating to the use of dedicated revenue.

C.S.H.B. 2658 appropriates \$2 billion from the economic stabilization fund to the comptroller for the purpose of transferring that amount immediately to the credit of the State of Texas wealth fund in the state treasury if that appropriation is approved by a vote of two-thirds of the members present in each house of the legislature.

EFFECTIVE DATE

September 1, 2017.

COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.H.B. 2658 may differ from the original in minor or nonsubstantive ways, the following comparison is organized and formatted in a manner that indicates the substantial differences between the introduced and committee substitute versions of the bill.

INTRODUCED

SECTION 1. Subchapter G, Chapter 403, Government Code, is amended by adding Section 403.1085 to read as follows:

Sec. 403.1085. STATE OF TEXAS WEALTH FUND. (a) In this section, "fund" means the State of Texas Wealth Fund.

(b) The State of Texas Wealth Fund is created as a special fund in the state treasury outside the general revenue fund to be administered by the comptroller. The fund consists of all money transferred or credited to the fund at the direction of the legislature or by other law and any gifts, grants, or donations made to this state for a purpose of the fund.

(c) The comptroller shall invest the assets of the fund and any accounts established in the fund taking into account the purposes for which the fund is established. In managing the fund assets, through procedures and subject to restrictions that the comptroller considers appropriate but notwithstanding the limitations specified by Section 404.024, the comptroller may acquire, exchange, sell, supervise, manage, or retain any kind of investment that a prudent investor, exercising reasonable care, skill, and caution, would acquire or retain in light of the purposes, terms, and other circumstances of the fund then prevailing, taking into consideration the investment of all the fund assets rather than a single investment.

(d) All interest and other earnings on the fund's principal and accumulated earnings are credited to the fund.

HOUSE COMMITTEE SUBSTITUTE

SECTION 1. Subchapter G, Chapter 403, Government Code, is amended by adding Section 403.1085 to read as follows:

Sec. 403.1085. STATE OF TEXAS WEALTH FUND. (a) In this section, "fund" means the State of Texas Wealth Fund.

(b) The State of Texas Wealth Fund is created as a special fund in the state treasury outside the general revenue fund to be administered by the comptroller. The fund consists of all money transferred or credited to the fund at the direction of the legislature or by other law and any gifts, grants, or donations made to this state for a purpose of the fund.

(c) The comptroller shall invest the assets of the fund and any accounts established in the fund taking into account the purposes for which the fund is established. In managing the fund assets, through procedures and subject to restrictions that the comptroller considers appropriate but notwithstanding the limitations specified by Section 404.024, the comptroller may acquire, exchange, sell, supervise, manage, or retain any kind of investment that a prudent investor, exercising reasonable care, skill, and caution, would acquire or retain in light of the purposes, terms, and other circumstances of the fund then prevailing, taking into consideration the investment of all the fund assets rather than a single investment.

(d) All interest and other earnings on the fund's principal and accumulated earnings are credited to the fund.

(e) Except as provided by Subsections (f) and (g), money in the fund may be appropriated only:

(1) to pay costs of deferred maintenance of state infrastructure, including costs of repair, rehabilitation, or reconstruction of state infrastructure;

(2) to make payments of the principal of or interest on general obligation bonds of this state or payments under related credit agreements to the extent the payments will help to retire the indebtedness before the end of the term of the indebtedness; and

(3) to pay the costs of a capital project for this state in lieu of financing the project costs with bonds or other long-term obligations of this state.

(f) An appropriation described by Subsection (e)(3) may not be made unless the legislature first finds that the direct payment of the costs of the capital project will achieve significant cost savings compared to using long-term obligations of this state to finance the costs.

(g) The legislature may not appropriate money from the fund in an amount that would reduce the unappropriated and unobligated principal balance of the fund to an amount of less than \$2 billion.

(h) The fund is exempt from the application of Section 403.095.

SECTION 2. Section 404.071(a), Government Code, is amended.

SECTION 3. (a) The amount of \$2 billion is appropriated from the economic stabilization fund to the comptroller for the purpose of transferring that amount immediately to the credit of the State of Texas Wealth Fund in the state treasury.

(b) This section takes effect only if this Act is approved by a vote of two-thirds of the members present in each house of the legislature, as provided by Section 49-g(m),

(e) Except as provided by Subsections (f) and (g), money in the fund may be appropriated only:

(1) to pay costs of deferred maintenance of state infrastructure, including costs of repair, rehabilitation, or reconstruction of state infrastructure;

(2) to make payments of the principal of or interest on general obligation bonds of this state or payments under related credit agreements to the extent the payments will help to retire the indebtedness before the end of the term of the indebtedness;

(3) to pay the costs of a new capital project for this state or a new phase of a capital project for this state in lieu of financing the project costs with bonds or other long-term obligations of this state; and

(4) to fund pension liabilities.

(f) An appropriation described by Subsection (e)(3) may not be made unless staff of the Legislative Budget Board first:

(1) finds that the direct payment of the costs of the new capital project or new phase of a capital project will achieve significant cost savings compared to using long-term obligations of this state to finance the costs; and

(2) in writing, communicates that finding to the lieutenant governor, the speaker of the house of representatives, and the standing committees of each house of the legislature with primary jurisdiction over appropriations.

(g) The legislature may not appropriate money from the fund in an amount that would reduce the unappropriated and unobligated principal balance of the fund to an amount of less than \$2 billion.

(h) The fund is exempt from the application of Section 403.095.

SECTION 2. Same as introduced version.

SECTION 3. Same as introduced version.

Article III, Texas Constitution.

SECTION 4. This Act takes effect
September 1, 2017.

SECTION 4. Same as introduced version.