

## **BILL ANALYSIS**

Senate Research Center

S.B. 1222  
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As Filed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

The economic stabilization fund (ESF), commonly referred to as the "Rainy Day Fund," was approved by the voters in 1988. The fund receives 75 percent of any oil or natural gas production tax revenue that exceeds the amount collected in fiscal year 1987. In addition, the Texas comptroller of public accounts (comptroller) is required to transfer one-half of any unencumbered balance remaining in the general revenue (GR) fund at the end of a biennium to the ESF, and the amount in the ESF cannot exceed 10 percent of the total amount of GR income during the preceding biennium.

In 2015, the legislature authorized the comptroller to invest a portion of the ESF balance using the prudent investor standard. This change enabled the ESF to accrue a greater return through its investments. Since its inception in August 2015, the invested portion of the Rainy Day Fund has earned a return greater than that for the treasury pool.

Interested parties observe that the comptroller could be authorized to invest a greater portion of the ESF using the prudent investor standard. This change would enable the ESF to accrue greater returns while preserving its purchasing power. S.B. 1222 authorizes the comptroller to invest a greater portion of the Rainy Day Fund using the prudent investor standard. Specifically, S.B. 1222 enables the comptroller to invest the balance of the fund that exceeds 30 percent of the maximum authorized balance for the applicable biennium.

As proposed, S.B. 1222 amends current law relating to the investment of a portion of the economic stabilization fund balance.

### **RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Sections 404.0241(a) and (b), Government Code, as follows:

(a) Requires the Texas comptroller of public accounts (comptroller) to invest the balance of the economic stabilization fund (ESF) that exceeds an amount equal to 30 percent of the maximum authorized balance of the ESF for the applicable state fiscal biennium as prescribed by Section 49-g(g) (relating to a requirement that the amount of the ESF not exceed 10 percent of the total amount deposited in the general revenue fund during the previous biennium, excluding certain funds), Article III (Legislative Department), Texas Constitution, in accordance with the investment standard described by Section 404.024(j) (relating to requiring the comptroller to invest certain funds). Provides that the comptroller's investment of that excess balance, rather than that percentage of the excess balance, is not subject to any other limitation or other requirement provided by Section 404.024 (Authorized Investments). Deletes existing text requiring the comptroller to invest a percentage of the ESF that exceeds the amount of the sufficient balance of the ESF adopted under Section 316.092 (Determination of Sufficient Fund Balance) for that biennium in accordance with the investment standard described by Section 404.024(j).

(b) Requires the comptroller to adjust the investment portfolio of ESF money periodically to ensure that, as appropriated money is withdrawn or money is otherwise transferred from the ESF or as the maximum authorized balance of the ESF as prescribed by Section 49-g(g), Article III, Texas Constitution, changes, only the balance of the ESF that exceeds the amount specified by Subsection (a) is invested in a manner that does not comply with all limitations and other requirements of Section 404.024. Deletes existing text requiring the comptroller to adjust the investment portfolio of ESF money periodically to ensure that the balance of the ESF is sufficient to meet the cash flow requirements of the ESF.

SECTION 2. Repealer: Section 404.0241(d) (relating to this section expiring on the date Section 316.092 expires), Government Code.

SECTION 3. Requires the comptroller to adjust the investment portfolio of ESF money as soon as possible after the effective date of this Act to ensure that the investment of that money complies with Section 404.0241 (Investment of Certain Economic Stabilization Fund Balances), Government Code, as amended by this Act.

SECTION 4. Effective date: September 1, 2017.