

- SUBJECT:** Revised training requirements for water district investment officers
- COMMITTEE:** Natural Resources — committee substitute recommended
- VOTE:** 8 ayes — Counts, King, Cook, Corte, Hilderbran, Hope, R. Lewis, Walker  
0 nays  
1 absent — Puente
- WITNESSES:** For — Richard Bowers, North Plains Groundwater Conservation District; John Burke, Aqua Water; Dean Robbins, Texas Water Conservation Association, C.E. Williams, Panhandle Groundwater Conservation District  
Against — None
- BACKGROUND:** The Public Funds Investment Act (Government Code, ch. 2256) requires investment officers of local governments to attend at least 10 hours of investment training within one year of assuming their duties and at least 10 hours every two years thereafter.  
  
Chapter 36 of the Water Code creates and sets out the provisions applicable to Groundwater Conservation Districts. Chapter 49 sets out provisions applicable to all general and special law districts.
- DIGEST:** CSHB 675 would amend Water Code, chapters 36 and 49 to add the following:
- ! District boards could contract with a person to act as investment officer of the district. The investment officer would be required to attend an investment training session at least four hours in length within one year of assuming duties or taking office and attend at least four hours of additional investment training every two years after the first year.
  - ! Training would have to be from an independent source approved by the board or a designated investment committee and include education in investment controls, security risks, market risks, diversification of investment portfolio, and compliance with Government Code, ch. 2256.

! Every January, individuals or entities that provide the investment training would report to the comptroller a list of the districts for which they provided training in the previous year. Reporting requirements for individuals would be satisfied by a report from the individual's employer or the entity sponsoring or organizing such training.

CSHB 675 would strike a provision under Water Code, sec. 49.057(a) allowing the board to appoint an employee of a firm, partnership, corporation, or other entity with which it has contracted to serve as investment officer. It also would exempt water districts governed under chapters 36 or 49 of the Water Code from the investment training requirements for local governments.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2001.

SUPPORTERS  
SAY:

The material covered in the investment training sessions can be covered easily in four hours. Most water districts invest in the Texas Local Government Pool, Certificates of Deposit, Treasury Notes, and other generally low-risk instruments that do not merit 10 hours of instruction. The material covered in training sessions becomes repetitive and redundant under the 10-hour requirement, particularly in the subsequent two-year intervals.

Attending 10 hour-long investment training sessions overly burdens attendees, most of whom must travel to attend. The length of the training sessions often forces them to stay overnight near the training locations, thus incurring additional lodging expense.

OPPONENTS  
SAY:

HB 675 would set a single instruction requirement for the diverse needs of the training session attendees. Those who actively manage large amounts of money may need more extensive training than those who manage smaller amounts. In addition, first time investment officers may need more training than officers of longer tenure.

Four hours is too short of an investment training requirement. Investment officers must be adequately trained to minimize the risk of loss of public funds.

NOTES: The substitute changed the filed version of HB 675 by reducing the initial investment training requirement from eight to four hours and removing provisions that would have exempted an investment officer from training requirements if 95 percent of the district's total investment was low risk.