

BILL ANALYSIS

Senate Research Center

C.S.S.B. 701
By: Armbrister
Finance
3-6-97
Committee Report (Substituted)

DIGEST

On September 1, 1996, the office of the state treasurer was abolished and all powers, duties, obligations, rights and contracts transferred to the Comptroller of Public Accounts (comptroller). In addition, the comptroller became the sole office, director, and shareholder of the Texas Treasury Safekeeping Trust Company (trust company). This bill would change references to "treasurer" to "comptroller" or "commissioner of insurance."

The comptroller's responsibilities include providing management, safekeeping, and investment opportunities, through the trust company, to agencies and political subdivisions of the state. This bill would authorize the comptroller to invest in foreign currency for the purpose of facilitating investments by state agencies that have the authority to invest in foreign securities. In addition, this bill would allow the trust company to take full advantage of the services offered by the Depository Trust Company. The trust company became a member of the Depository Trust Company in 1995. S.B. 701 also transfers the responsibility of approval of the investment policies of the Workers' Compensation Insurance Fund and the Workers' Compensation Insurance Facility to the commissioner of insurance.

PURPOSE

As proposed, C.S.S.B. 701 changes references to "treasurer" to "comptroller" or "commissioner of insurance." This bill also authorizes the comptroller to make foreign investments in foreign currency for the sole purpose of facilitating investments by state agencies that have the authority to invest in foreign securities. In addition, C.S.S.B. 701 transfers the responsibility of approval of the Workers' Compensation Insurance Fund and the Workers' Compensation Insurance Facility to the commissioner of insurance. Finally, this bill authorizes the Texas Treasury Safekeeping Trust Company to enter into certain contracts and agreements with the Depository Trust Company.

RULEMAKING AUTHORITY

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

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 66.02, Education Code, as follows:

Sec. 66.02. AVAILABLE UNIVERSITY FUND. Requires the dividends, interest, and other income from the permanent university fund, including the net income attributable to the surface of permanent university fund land, but excluding administrative expenses, to constitute the available university fund. Requires all interest, dividends, and other income accruing and earned from the investments of the permanent university fund to be deposited in the state treasury to the credit of the available university fund at least once a month by the board of regents of the University of Texas or by the custodian or custodians of the permanent university fund's securities. Deletes text requiring income derived from the permanent university fund to be deposited in the state treasury within five days after receipt by any state officer, agent, or employee. Requires the University of Texas System (system) to provide the information necessary for the comptroller to accurately account for income from the permanent university fund and to protect state revenues. Requires the system to provide the information using the method, format, and frequency required by the comptroller.

SECTION 2. Amends Chapter 66A, Education Code, by adding Section 66.07, as follows:

Sec. 66.07. CUSTODY AND INVESTMENT OF ASSETS PENDING TRANSACTIONS. Authorizes the board of regents of the system, with the approval of the comptroller, to appoint one or more commercial banks, depository trust companies, or other entities, in or outside this state, to serve as a custodian or custodians of the permanent university fund's securities with authority to hold the money realized from those securities pending completion of an investment transaction if the money held is reinvested within one business day of receipt in investments determined by the board of regents. Requires money not reinvested within one business day of receipt to be deposited in the state treasury not later than the fifth day after the date of receipt.

SECTION 3. Amends Sections 404.024(a), (b), (f), (g), (h), and (i), Government Code, to require state funds not deposited in state depositories to be invested by the comptroller, rather than the treasurer, in certain securities, and foreign currency for the sole purpose of facilitating investments by state agencies that have the authority to invest in foreign securities. Makes conforming changes.

SECTION 4. Amends Section 404.094, Government Code, by adding Subsection (d), to provide that a state agency that receives funds from the sale of securities under applicable law, including Chapter 815 or 825, Government Code, and Chapter 43, Education Code, with the comptroller's approval, may as an alternative to the deposit of the funds as provided by Subsection (a), net sales and purchases of securities occurring within one business day. Requires any proceeds received and available for reinvestment that are not reinvested within one business day of receipt to be deposited in the state treasury as provided by Subsection (a). Provides that an agency authorized to net sales and purchases of securities under this section is subject to the accounting and reporting procedures established by the comptroller.

SECTION 5. Amends Section 404.103(b), Government Code, to authorize the Texas Treasury Safekeeping Trust Company (trust company) to enter into contracts and trust agreements or other fiduciary instruments with the comptroller, the Federal Reserve System, the Depository Trust Company, and other third parties. Requires the trust company's obligations to be guaranteed by the state to the extent permitted by the Texas Constitution and the contracts, trust agreements, or other fiduciary instruments between the trust company, the Federal Reserve System, and the Depository Trust Company. Makes conforming changes.

SECTION 6. Amends Section 2.07(b), Article 5.76-2, Insurance Code, to require the governing committee of the Texas Workers' Compensation Insurance Facility to develop an investment policy and submit the policy to the commissioner of insurance (commissioner), rather than to the state treasurer for review and approval.

SECTION 7. Amends Section 13(d), Article 5.76-3, Insurance Code, to require money in the Texas Workers' Compensation Insurance Fund to be invested, subject to a policy developed by the board and approved by the commissioner, rather than by the state treasurer, in types of investments authorized by law for an insurer authorized to write workers' compensation insurance coverage in this state.

SECTION 8. Effective date: September 1, 1997.

SECTION 9. Emergency clause.

SUMMARY OF COMMITTEE CHANGES

Amends SECTION 1, Section 66.02, Education Code, to set forth requirements regarding the available university fund. Redesignates proposed SECTION 1 as SECTION 3.

Amends SECTION 2, Chapter 66A, Education Code, by adding Section 66.07 to set forth requirements regarding the custody and investment of assets pending transactions. Removes proposed SECTION 2.

Amends SECTION 3, Sections 404.024(a), (b), (f), (g), (h), and (i), Government Code to make conforming changes. Redesignates proposed SECTION 3 as SECTION 6.

Amends SECTION 4, Section 404.094, Government Code, by adding Subsection (d), to set forth requirements regarding the reinvestment and depositing of funds. Redesignates proposed SECTION 4 as SECTION 7.

Amends SECTION 5, Section 404.103(b), Government Code, to make conforming changes. Redesignates proposed SECTION 5 as SECTION 8.

Amends SECTION 6, Section 2.07(b), Article 5.76-2, Insurance Code, to require the approval of the commissioner of insurance, rather than the State Board of Insurance. Redesignates proposed SECTION 6 to SECTION 9.

Amends SECTION 7, Section 13(d), Article 5.76-3, Insurance Code, to require money in the fund to be invested, subject to a policy approved by the commissioner of insurance, rather than the State Board of Insurance.