

## Sponsor Statement for House Bill 422

### An Act relating to the existence and management of the sub account in the Constitutional Budget Reserve Fund

House Bill 422 would repeal the Constitutional Budget Reserve (CBR) sub account and allow the entire CBR balance to be invested in fixed income securities along with the general fund and other non-segregated money.

In 2000, the legislature passed [Senate Bill 312](#) that transferred \$400 million from the CBR into a separate sub account in an effort to obtain a higher yield by investing the funds with a long-term outlook. The legislation also directed the Commissioner of Revenue to assume that sub account funds will not be needed for at least five years.

However, current budget projections show the CBR being continually drawn down rather than being periodically increased to historically higher balances. While the CBR may extend beyond five years, a CBR balance of at least \$1 billion is needed to meet cash flow needs and prudent financial management given the state's dependence upon oil prices. HB 422 also repeals the five- year provision enacted by SB 312.

The almost certain continual decline in the CBR balance creates a compelling need for a more conservative asset allocation.

Additionally, [HB 422](#) is a cost savings measure as the state would not incur the annual \$125,000 in sub account management fees.