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| BILL ANALYSIS |

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| C.S.H.B. 4388 |
| By: Murphy |
| Pensions, Investments & Financial Services |
| Committee Report (Substituted) |

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| **BACKGROUND AND PURPOSE** There have been calls to allow the State Board of Education (SBOE) and the School Land Board to make additional long-term investments on their current portfolio using liquid assets. C.S.H.B. 4388 seeks to address these calls by establishing the permanent school fund liquid account and authorizing the SBOE to invest funds in the account in a manner authorized by applicable law.  |
| **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. 4388 amends the Natural Resources Code to establish the permanent school fund liquid account as an account in the permanent school fund in the State Treasury to be used by the School Land Board and the State Board of Education (SBOE). The bill provides for administration of the account and authorizes the SBOE to invest funds in the account only in liquid assets in the same manner that the permanent school fund is managed by the SBOE. The bill requires the School Land Board to provide to the SBOE in each quarterly report on the portion of the permanent school fund assets and funds for which the School Land Board is responsible the School Land Board's anticipated cash needs for the six-month period following the date of the report for purposes of allowing the SBOE to ensure that the School Land Board's cash needs may be met. The bill requires the SBOE to release from the permanent school fund liquid account funds to be deposited to the credit of the real estate special fund account in the State Treasury in an amount requested by the School Land Board not later than the fifth business day after the date of a School Land Board request.C.S.H.B. 4388 limits the School Land Board real estate investments, the market value of which may not exceed 15 percent of the market value of the permanent school fund on a certain date, to investments used to acquire interests in real estate or to acquire, sell, lease, trade, improve, maintain, protect, or use land, mineral and royalty interests, or real estate investments, an investment or interest in public infrastructure, or other interests at such prices and under such terms and conditions that the board determines to be in the best interest of the permanent school fund.C.S.H.B. 4388 amends the Education Code and the Natural Resources Code to require the SBOE to provide to the School Land Board a quarterly financial report on the portion of the permanent school fund assets and funds for which the SBOE is responsible and the School Land Board to provide to the SBOE a quarterly financial report on the portion of the permanent school fund assets and funds for which the School Land Board is responsible. The bill requires the reports to include:* target and actual asset allocations by asset type, based on fair market value or net asset value;
* investment performance by asset type; and
* benchmarks and benchmark performances.
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| **EFFECTIVE DATE** September 1, 2019. |
| **COMPARISON OF ORIGINAL AND SUBSTITUTE**While C.S.H.B. 4388 may differ from the original in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.The substitute revises the contents of the required quarterly financial reports.The substitute revises certain holdings the cumulative value of which may not exceed 15 percent of the market value of the permanent school fund on a certain date by:* specifying the School Land Board real estate investments used in the cap calculation; and
* not including certain funds designated for deposit in the real estate special fund account of the permanent school fund and holdings in the permanent school fund liquid account in the cap calculation.

The substitute does not include a provision setting a deadline by which the School Land Board is required to make any transfer from the real estate special fund account to the available school fund or the SBOE for investment in the permanent school fund.The substitute changes the deadline by which the SBOE is required to release from the permanent school fund liquid account funds to be deposited to the credit of the real estate special fund account in an amount requested by the School Land Board from not later than the 10th day after the date of a School Land Board request to not later than the fifth business day after that date. |
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