By:  Murphy, et al. (Senate Sponsor - Campbell) H.B. No. 4388

(In the Senate - Received from the House May 7, 2019; May 10, 2019, read first time and referred to Committee on Education; May 17, 2019, reported favorably by the following vote: Yeas 11, Nays 0; May 17, 2019, sent to printer.)

COMMITTEE VOTE

                    Yea Nay Absent  PNV

Taylor            X

Lucio                X

Bettencourt          X

Campbell             X

Fallon               X

Hall                 X

Hughes               X

Paxton               X

Powell               X

Watson               X

West                 X

A BILL TO BE ENTITLED

AN ACT

relating to the management of the permanent school fund by the School Land Board and the State Board of Education.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1.  Chapter 43, Education Code, is amended by adding Section 43.0052 to read as follows:

Sec. 43.0052.  QUARTERLY REPORTS. Each quarter, the State Board of Education shall provide to the School Land Board a financial report on the portion of the permanent school fund assets and funds for which the State Board of Education is responsible. The report must include:

(1)  target and actual asset allocations, by asset type, based on fair market value or net asset value;

(2)  investment performance by asset type; and

(3)  benchmarks and benchmark performances.

SECTION 2.  Subchapter C, Chapter 32, Natural Resources Code, is amended by adding Section 32.068 to read as follows:

Sec. 32.068.  QUARTERLY REPORTS. Each quarter, the board shall provide to the State Board of Education a financial report on the portion of the permanent school fund assets and funds for which the board is responsible. The report must include:

(1)  target and actual asset allocations, by asset type, based on fair market value or net asset value;

(2)  investment performance by asset type; and

(3)  benchmarks and benchmark performances.

SECTION 3.  Section 51.402(c), Natural Resources Code, is amended to read as follows:

(c)  Notwithstanding Subsection (a), on January 1 of each even-numbered year, the market value of the investments [~~in real estate~~] under Subsections (a)(6) and (8) [~~this section on January 1 of each even-numbered year~~] may not exceed an amount that is equal to 15 percent of the market value of the permanent school fund on that date.

SECTION 4.  Subchapter I, Chapter 51, Natural Resources Code, is amended by adding Section 51.414 to read as follows:

Sec. 51.414.  PERMANENT SCHOOL FUND LIQUID ACCOUNT. (a) The permanent school fund liquid account is established as an account in the permanent school fund in the State Treasury to be used by the board and the State Board of Education as provided by this section.

(b)  Each quarter, the board shall hold a meeting and adopt a resolution to release from the real estate special fund account funds designated under Section 51.401 that are not being used for a purpose listed in Section 51.402(a) and are not required for the board's anticipated cash needs for the 90-day period following the date of the meeting, to be deposited to the credit of the permanent school fund liquid account in the State Treasury.

(c)  The State Board of Education may invest funds in the permanent school fund liquid account. The investments may be made only in liquid assets, in the same manner that the permanent school fund is managed by the State Board of Education.

(d)  Investment income and realized capital gains derived from funds in the permanent school fund liquid account shall be deposited in the State Treasury to the credit of the State Board of Education for investment in the permanent school fund. This subsection does not require a deposit if the market value of the assets held in the permanent school fund liquid account is below cost.

(e)  The State Board of Education may use funds in the permanent school fund liquid account to pay for administrative costs associated with implementing this section, including costs associated with contracts for professional investment management, investment advisory services, or custodial services.

(f)  The board shall provide to the State Board of Education in each quarterly report required by Section 32.068 the board's anticipated cash needs for the six-month period following the date of the report, to allow the State Board of Education to ensure that the board's cash needs may be met as provided by Subsection (g).

(g)  Not later than the fifth business day after the date of a request of the board, the State Board of Education shall 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 board.

SECTION 5.  This Act takes effect September 1, 2019.

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