

AN ACT

relating to the management of the permanent school fund by the School Land Board and the State Board of Education and a study regarding distributions from the permanent school fund to the available school fund.

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;

(3) benchmarks and benchmark performances; and

(4) costs of implementing and administering the permanent school fund liquid account under Section 51.414, Natural Resources Code, including costs associated with contracts for:

(A) professional investment management;

(B) investment advisory services; and

(C) custodial services for the account.

SECTION 2. Subchapter C, Chapter 32, Natural Resources

1 Code, is amended by adding Section 32.068 to read as follows:

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

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

8 (2) investment performance by asset type; and

9 (3) benchmarks and benchmark performances.

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

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

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

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

24 (b) Each quarter, the board shall hold a meeting and adopt a  
25 resolution to release from the real estate special fund account  
26 funds designated under Section 51.401 that are not being used for a  
27 purpose listed in Section 51.402(a) and are not required for the

1 board's anticipated cash needs for the 90-day period following the  
2 date of the meeting, to be deposited to the credit of the permanent  
3 school fund liquid account in the State Treasury.

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

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

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

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

25 (g) Not later than the fifth business day after the date of a  
26 request of the board, the State Board of Education shall release  
27 from the permanent school fund liquid account funds to be deposited

1 to the credit of the real estate special fund account in the State  
2 Treasury in an amount requested by the board.

3 SECTION 5. (a) The legislature finds that the periodic  
4 examination of distributions made from the permanent school fund to  
5 the available school fund is necessary for the effective management  
6 of permanent school fund investments.

7 (b) The Texas Education Agency, in consultation with the  
8 General Land Office, shall conduct a study regarding distributions  
9 from the permanent school fund to the available school fund. The  
10 study must:

11 (1) examine historical patterns in the real value of  
12 distributions made from all assets and revenues of the permanent  
13 school fund and historical patterns in the real value of permanent  
14 school fund assets relative to the number of students enrolled in  
15 the public education system;

16 (2) analyze the impact of underlying data and  
17 methodological assumptions on actual and projected distributions  
18 from the permanent school fund;

19 (3) seek input from state government officials  
20 involved in public education policy or in the appropriation of  
21 state funds to support the public education system;

22 (4) examine current and alternative approaches to  
23 balance the needs and interests of present and future beneficiaries  
24 of the permanent school fund and the available school fund;

25 (5) develop options to maximize available revenue  
26 distributions for the education of students enrolled in the public  
27 education system while preserving the permanent school fund for

1 future generations; and

2 (6) consider any other subjects relevant to the  
3 purpose of the study.

4 (c) The Texas Education Agency may contract for investment  
5 management expertise for the purpose of implementing this section.

6 (d) Not later than June 1, 2020, the Texas Education Agency  
7 shall prepare and submit a report regarding the results of the study  
8 to the governor, the State Board of Education, the Legislative  
9 Budget Board, the lieutenant governor, the speaker of the house of  
10 representatives, and each legislative standing committee with  
11 primary jurisdiction over public education.

12 (e) This section expires January 1, 2021.

13 SECTION 6. This Act takes effect September 1, 2019.

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President of the Senate

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Speaker of the House

I certify that H.B. No. 4388 was passed by the House on May 7, 2019, by the following vote: Yeas 142, Nays 4, 1 present, not voting; and that the House concurred in Senate amendments to H.B. No. 4388 on May 24, 2019, by the following vote: Yeas 141, Nays 0, 1 present, not voting.

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Chief Clerk of the House

I certify that H.B. No. 4388 was passed by the Senate, with amendments, on May 22, 2019, by the following vote: Yeas 31, Nays 0.

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Secretary of the Senate

APPROVED: \_\_\_\_\_

Date

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Governor