

By: Murphy, Capriglione, Zerwas

H.B. No. 4388

Substitute the following for H.B. No. 4388:

By: Flynn

C.S.H.B. No. 4388

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

1 (3) benchmarks and benchmark performances.

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

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

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

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

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

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

27 (d) Investment income and realized capital gains derived

1 from funds in the permanent school fund liquid account shall be
2 deposited in the State Treasury to the credit of the State Board of
3 Education for investment in the permanent school fund. This
4 subsection does not require a deposit if the market value of the
5 assets held in the permanent school fund liquid account is below
6 cost.

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

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

17 (g) Not later than the fifth business day after the date of a
18 request of the board, the State Board of Education shall release
19 from the permanent school fund liquid account funds to be deposited
20 to the credit of the real estate special fund account in the State
21 Treasury in an amount requested by the board.

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