

By: Metcalf

H.J.R. No. 42

A JOINT RESOLUTION

1 proposing a constitutional amendment for the creation of an
2 endowment fund for this state and for the retention, transfer, or
3 appropriation of fund assets, including investment earnings
4 received on fund assets.

5 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF TEXAS:

6 SECTION 1. Article III, Texas Constitution, is amended by
7 adding Section 49-g-1 to read as follows:

8 Sec. 49-g-1. (a) In this section:

9 (1) "Investment earnings" includes interest earned on
10 assets.

11 (2) "Texas-based business entity" means a business
12 entity:

13 (A) incorporated or otherwise formed under the
14 laws of this state; or

15 (B) the headquarters or other principal office of
16 which is located in this state.

17 (b) The endowment fund is created as a special fund in the
18 state treasury outside the general revenue fund to generate
19 investment earnings on endowment fund assets for transfer to other
20 state funds, accounts, and purposes.

21 (c) The endowment fund consists of:

22 (1) money or other assets deposited to or otherwise
23 transferred to the credit of the fund as provided by law; and

24 (2) investment earnings received on fund assets,

1 except to the extent amounts of those earnings are transferred from
2 the fund in accordance with this section.

3 (d) The comptroller shall invest the endowment fund assets
4 separately from other treasury assets and funds. In managing the
5 endowment fund assets, on behalf of the fund the comptroller:

6 (1) shall ensure that at least 10 percent of the amount
7 of invested fund assets is invested in Texas-based business
8 entities; and

9 (2) may acquire, exchange, sell, supervise, manage, or
10 retain any kind of investment that a prudent investor, exercising
11 reasonable care, skill, and caution, would acquire or retain in
12 light of the purposes, terms, distribution requirements, and other
13 circumstances of the fund then prevailing, taking into
14 consideration:

15 (A) the investment of all the fund assets rather
16 than a single investment; and

17 (B) the goal of preserving the aggregate
18 purchasing power of the fund assets.

19 (e) In each state fiscal year beginning on or after
20 September 1, 2040, and at the same time the comptroller makes the
21 transfers to the economic stabilization fund as required by Section
22 49-g of this article, the comptroller shall transfer from the
23 endowment fund the following amounts of the average amount of
24 yearly investment earnings received in the five preceding state
25 fiscal years from the investment of endowment fund assets:

26 (1) an amount equal to 25 percent of those earnings to
27 the general revenue fund;

1 (2) an amount equal to five percent of those earnings
2 to the economic stabilization fund, except as provided by
3 Subsection (h) of this section;

4 (3) an amount equal to 10 percent of those earnings to
5 the foundation school fund or a successor fund or account from which
6 grants are provided to school districts in this state to guarantee
7 that each school district in this state has:

8 (A) adequate resources to provide each eligible
9 student a basic instructional program and facilities suitable to
10 the student's educational needs; and

11 (B) access to a substantially equalized program
12 of financing in excess of basic costs for certain services; and

13 (4) an amount equal to 10 percent of those earnings to
14 the property tax relief fund or a successor fund or account the
15 primary purpose of which is to reduce school district ad valorem
16 maintenance and operations tax rates.

17 (e-1) In each state fiscal year beginning on or after
18 September 1, 2030, and at the same time the comptroller makes the
19 transfers to the economic stabilization fund as required by Section
20 49-g of this article, the comptroller shall transfer from the
21 endowment fund to the general revenue fund an amount equal to 15
22 percent of the average amount of yearly investment earnings
23 received in the five preceding state fiscal years from the
24 investment of endowment fund assets, and the comptroller shall
25 transfer from the endowment fund to the economic stabilization fund
26 five percent of the average amount of those yearly investment
27 earnings, except as provided by Subsection (h) of this section.

1 This subsection expires August 31, 2040.

2 (e-2) Not later than the 90th day of each state fiscal year
3 beginning on or after September 1, 2020, the comptroller shall
4 transfer from the endowment fund to the general revenue fund an
5 amount equal to 10 percent of:

6 (1) in the state fiscal year beginning September 1,
7 2020, the total amount of investment earnings received in the
8 preceding state fiscal year from the investment of endowment fund
9 assets;

10 (2) in the state fiscal year beginning September 1,
11 2021, the average amount of yearly investment earnings received in
12 the two preceding state fiscal years from the investment of
13 endowment fund assets;

14 (3) in the state fiscal year beginning September 1,
15 2022, the average amount of yearly investment earnings received in
16 the three preceding state fiscal years from the investment of
17 endowment fund assets;

18 (4) in the state fiscal year beginning September 1,
19 2023, the average amount of yearly investment earnings received in
20 the four preceding state fiscal years from the investment of
21 endowment fund assets; and

22 (5) in each subsequent state fiscal year, the average
23 amount of yearly investment earnings received in the five preceding
24 state fiscal years from the investment of endowment fund assets.

25 (e-3) Subsection (e-2) and this subsection expire August
26 31, 2030.

27 (f) If a fund or account described by Subsection (e)(4) of

1 this section does not exist, the comptroller shall transfer to the
2 general revenue fund the amount otherwise required by Subsection
3 (e)(4) of this section to be transferred. The transferred amount
4 may be appropriated only to provide for the support of primary and
5 secondary public education in this state.

6 (g) The comptroller shall invest in the manner prescribed by
7 Subsection (d) of this section the amounts of investment earnings
8 on endowment fund assets that are not transferred from the fund in
9 accordance with this section, subject to Subsection (i) of this
10 section.

11 (h) In the manner required by Section 49-g(c) of this
12 article, the comptroller shall reduce the amounts of the transfers
13 to the economic stabilization fund otherwise required by Section
14 49-g of this article if making all of the transfers to that fund
15 otherwise required by this section and Section 49-g of this article
16 in a state fiscal year would result in the balance of that fund
17 exceeding the limit under Section 49-g(g) of this article. If after
18 making those reductions the transfer otherwise required by this
19 section would result in an amount in that fund that exceeds the
20 limit under Section 49-g(g) of this article, the comptroller shall:

21 (1) reduce the amount of the transfer under this
22 section by the amount necessary to avoid exceeding the limit; and

23 (2) retain the amount of the reduction in the
24 endowment fund.

25 (i) The legislature may, by a two-thirds vote of the members
26 of each house, appropriate money from the endowment fund at any time
27 for any purpose.

1 (j) On November 30, 2019, the comptroller shall transfer \$1
2 billion from the economic stabilization fund to the endowment fund.
3 This subsection expires January 1, 2021.

4 SECTION 2. This proposed constitutional amendment shall be
5 submitted to the voters at an election to be held November 5, 2019.
6 The ballot shall be printed to permit voting for or against the
7 proposition: "The constitutional amendment for the creation of an
8 endowment fund for this state and for the retention, transfer, or
9 appropriation of fund assets, including investment earnings
10 received on fund assets."