AN ACT
relating to state contracts with and investments in certain
companies that boycott energy companies.
BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:
SECTION 1. Subtitle A, Title 8, Government Code, is amended
by adding Chapter 809 to read as follows:
CHAPTER 809. PROHIBITION ON INVESTMENT IN FINANCIAL COMPANIES THAT
BOYCOTT CERTAIN ENERGY COMPANIES
SUBCHAPTER A. GENERAL PROVISIONS
Sec. 809.001. DEFINITIONS. In this chapter:
(1) "Boycott energy company" means, without an
ordinary business purpose, refusing to deal with, terminating
business activities with, or otherwise taking any action that is
intended to penalize, inflict economic harm on, or limit commercial
relations with a company because the company:
(A) engages in the exploration, production,
utilization, transportation, sale, or manufacturing of fossil
fuel-based energy and does not commit or pledge to meet
environmental standards beyond applicable federal and state law; or
(B) does business with a company described by
Paragraph (A).
(2) "Company" means a for-profit sole proprietorship,
organization, association, corporation, partnership, joint
venture, limited partnership, limited liability partnership, or
limited liability company, including a wholly owned subsidiary,
minority-owned subsidiary, parent company, or affiliate of those
entities or business associations, that exists to make a profit.

(3) "Direct holdings" means, with respect to a
financial company, all securities of that financial company held
directly by a state governmental entity in an account or fund in
which a state governmental entity owns all shares or interests.

(4) "Financial company" means a publicly traded
financial services, banking, or investment company.

(5) "Indirect holdings" means, with respect to a
financial company, all securities of that financial company held in
an account or fund, such as a mutual fund, managed by one or more
persons not employed by a state governmental entity, in which the
state governmental entity owns shares or interests together with
other investors not subject to the provisions of this chapter. The
term does not include money invested under a plan described by
Section 401(k) or 457 of the Internal Revenue Code of 1986.

(6) "Listed financial company" means a financial
company listed by the comptroller under Section 809.051.

(7) "State governmental entity" means:
(A) the Employees Retirement System of Texas,
including a retirement system administered by that system;
(B) the Teacher Retirement System of Texas;
(C) the Texas Municipal Retirement System;
(D) the Texas County and District Retirement
System;
(E) the Texas Emergency Services Retirement
System; and

(F) the permanent school fund.

Sec. 809.002. OTHER LEGAL OBLIGATIONS. With respect to actions taken in compliance with this chapter, including all good faith determinations regarding financial companies as required by this chapter, a state governmental entity and the comptroller are exempt from any conflicting statutory or common law obligations, including any obligations with respect to making investments, divesting from any investment, preparing or maintaining any list of financial companies, or choosing asset managers, investment funds, or investments for the state governmental entity's securities portfolios.

Sec. 809.003. INDEMNIFICATION OF STATE GOVERNMENTAL ENTITIES, EMPLOYEES, AND OTHERS. In a cause of action based on an action, inaction, decision, divestment, investment, financial company communication, report, or other determination made or taken in connection with this chapter, the state shall, without regard to whether the person performed services for compensation, indemnify and hold harmless for actual damages, court costs, and attorney's fees adjudged against, and defend:

(1) an employee, a member of the governing body, or any other officer of a state governmental entity;

(2) a contractor of a state governmental entity;

(3) a former employee, a former member of the governing body, or any other former officer of a state governmental entity who was an employee, member of the governing body, or other officer when the act or omission on which the damages are based.
Sec. 809.004. NO PRIVATE CAUSE OF ACTION. (a) A person, including a member, retiree, or beneficiary of a retirement system to which this chapter applies, an association, a research firm, a financial company, or any other person may not sue or pursue a private cause of action against the state, a state governmental entity, a current or former employee, a member of the governing body, or any other officer of a state governmental entity, or a contractor of a state governmental entity, for any claim or cause of action, including breach of fiduciary duty, or for violation of any constitutional, statutory, or regulatory requirement in connection with any action, inaction, decision, divestment, investment, financial company communication, report, or other determination made or taken in connection with this chapter.

(b) A person who files suit against the state, a state governmental entity, an employee, a member of the governing body, or any other officer of a state governmental entity, or a contractor of a state governmental entity, is liable for paying the costs and attorney's fees of a person sued in violation of this section.

Sec. 809.005. INAPPLICABILITY OF REQUIREMENTS INCONSISTENT WITH FIDUCIARY RESPONSIBILITIES AND RELATED DUTIES. A state governmental entity is not subject to a requirement of this chapter if the state governmental entity determines that the requirement
would be inconsistent with its fiduciary responsibility with respect to the investment of entity assets or other duties imposed by law relating to the investment of entity assets, including the duty of care established under Section 67, Article XVI, Texas Constitution.

Sec. 809.006. RELIANCE ON FINANCIAL COMPANY RESPONSE. The comptroller and a state governmental entity may rely on a financial company's response to a notice or communication made under this chapter without conducting any further investigation, research, or inquiry.

SUBCHAPTER B. DUTIES REGARDING INVESTMENTS

Sec. 809.051. LISTED FINANCIAL COMPANIES. (a) The comptroller shall prepare and maintain, and provide to each state governmental entity, a list of all financial companies that boycott energy companies. In maintaining the list, the comptroller may:

(1) review and rely, as appropriate in the comptroller's judgment, on publicly available information regarding financial companies, including information provided by the state, nonprofit organizations, research firms, international organizations, and governmental entities; and

(2) request written verification from a financial company that it does not boycott energy companies and rely, as appropriate in the comptroller's judgment and without conducting further investigation, research, or inquiry, on a financial company's written response to the request.

(b) A financial company that fails to provide to the comptroller a written verification under Subsection (a)(2) before
the 61st day after receiving the request from the comptroller is presumed to be boycotting energy companies.

(c) The comptroller shall update the list annually or more often as the comptroller considers necessary, but not more often than quarterly, based on information from, among other sources, those listed in Subsection (a).

(d) Not later than the 30th day after the date the list of financial companies that boycott energy companies is first provided or updated, the comptroller shall file the list with the presiding officer of each house of the legislature and the attorney general and post the list on a publicly available Internet website.

Sec. 809.052. IDENTIFICATION OF INVESTMENT IN LISTED FINANCIAL COMPANIES. Not later than the 30th day after the date a state governmental entity receives the list provided under Section 809.051, the state governmental entity shall notify the comptroller of the listed financial companies in which the state governmental entity owns direct holdings or indirect holdings.

Sec. 809.053. ACTIONS RELATING TO LISTED FINANCIAL COMPANY. (a) For each listed financial company identified under Section 809.052, the state governmental entity shall send a written notice:

(1) informing the financial company of its status as a listed financial company;

(2) warning the financial company that it may become subject to divestment by state governmental entities after the expiration of the period described by Subsection (b); and

(3) offering the financial company the opportunity to clarify its activities related to companies described by Sections
809.001(1)(A) and (B).

(b) Not later than the 90th day after the date the financial company receives notice under Subsection (a), the financial company must cease boycotting energy companies in order to avoid qualifying for divestment by state governmental entities.

(c) If, during the time provided by Subsection (b), the financial company ceases boycotting energy companies, the comptroller shall remove the financial company from the list maintained under Section 809.051 and this chapter will no longer apply to the financial company unless it resumes boycotting energy companies.

(d) If, after the time provided by Subsection (b) expires, the financial company continues to boycott energy companies, the state governmental entity shall sell, redeem, divest, or withdraw all publicly traded securities of the financial company, except securities described by Section 809.055, according to the schedule provided by Section 809.054.

Sec. 809.054. DIVESTMENT OF ASSETS. (a) A state governmental entity required to sell, redeem, divest, or withdraw all publicly traded securities of a listed financial company shall comply with the following schedule:

(1) at least 50 percent of those assets must be removed from the state governmental entity's assets under management not later than the 180th day after the date the financial company receives notice under Section 809.053 or Subsection (b) unless the state governmental entity determines, based on a good faith exercise of its fiduciary discretion and subject to Subdivision
(2), that a later date is more prudent; and

(2) 100 percent of those assets must be removed from
the state governmental entity's assets under management not later
than the 360th day after the date the financial company receives
notice under Section 809.053 or Subsection (b).

(b) If a financial company that ceased boycotting energy
companies after receiving notice under Section 809.053 resumes its
boycott, the state governmental entity shall send a written notice
to the financial company informing it that the state governmental
entity will sell, redeem, divest, or withdraw all publicly traded
securities of the financial company according to the schedule in
Subsection (a).

(c) Except as provided by Subsection (a), a state
governmental entity may delay the schedule for divestment under
that subsection only to the extent that the state governmental
entity determines, in the state governmental entity's good faith
judgment, and consistent with the entity's fiduciary duty, that
divestment from listed financial companies will likely result in a
loss in value or a benchmark deviation described by Section
809.056(a). If a state governmental entity delays the schedule for
divestment, the state governmental entity shall submit a report to
the presiding officer of each house of the legislature and the
attorney general stating the reasons and justification for the
state governmental entity's delay in divestment from listed
financial companies. The report must include documentation
supporting its determination that the divestment would result in a
loss in value or a benchmark deviation described by Section
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809.056(a), including objective numerical estimates. The state
governmental entity shall update the report every six months.

Sec. 809.055. INVESTMENTS EXEMPTED FROM DIVESTMENT. A
state governmental entity is not required to divest from any
indirect holdings in actively or passively managed investment funds
or private equity funds. The state governmental entity shall
submit letters to the managers of each investment fund containing
listed financial companies requesting that they remove those
financial companies from the fund or create a similar actively or
passively managed fund with indirect holdings devoid of listed
financial companies. If a manager creates a similar fund with
substantially the same management fees and same level of investment
risk and anticipated return, the state governmental entity may
replace all applicable investments with investments in the similar
fund in a time frame consistent with prudent fiduciary standards
but not later than the 450th day after the date the fund is created.

Sec. 809.056. AUTHORIZED INVESTMENT IN LISTED FINANCIAL
COMPANIES. (a) A state governmental entity may cease divesting
from one or more listed financial companies only if clear and
convincing evidence shows that:

(1) the state governmental entity has suffered or will
suffer a loss in the hypothetical value of all assets under
management by the state governmental entity as a result of having to
divest from listed financial companies under this chapter; or

(2) an individual portfolio that uses a
benchmark-aware strategy would be subject to an aggregate expected
deviation from its benchmark as a result of having to divest from
listed financial companies under this chapter.

(b) A state governmental entity may cease divesting from a listed financial company as provided by this section only to the extent necessary to ensure that the state governmental entity does not suffer a loss in value or deviate from its benchmark as described by Subsection (a).

(c) Before a state governmental entity may cease divesting from a listed financial company under this section, the state governmental entity must provide a written report to the comptroller, the presiding officer of each house of the legislature, and the attorney general setting forth the reason and justification, supported by clear and convincing evidence, for deciding to cease divestment or to remain invested in a listed financial company.

(d) The state governmental entity shall update the report required by Subsection (c) semiannually, as applicable.

(e) This section does not apply to reinvestment in a financial company that is no longer a listed financial company.

Sec. 809.057. PROHIBITED INVESTMENTS. Except as provided by Section 809.056, a state governmental entity may not acquire securities of a listed financial company.

SUBCHAPTER C. REPORT; ENFORCEMENT

Sec. 809.101. REPORT. Not later than January 5 of each year, each state governmental entity shall file a publicly available report with the presiding officer of each house of the legislature and the attorney general that:

(1) identifies all securities sold, redeemed,
divested, or withdrawn in compliance with Section 809.054;
(2) identifies all prohibited investments under Section 809.057; and
(3) summarizes any changes made under Section 809.055.

Sec. 809.102. ENFORCEMENT. The attorney general may bring any action necessary to enforce this chapter.

SECTION 2. Subtitle F, Title 10, Government Code, is amended by adding Chapter 2274 to read as follows:

CHAPTER 2274. PROHIBITION ON CONTRACTS WITH COMPANIES BOYCOTTING CERTAIN ENERGY COMPANIES

Sec. 2274.001. DEFINITIONS. In this chapter:

(1) "Boycott energy company" has the meaning assigned by Section 809.001.
(2) "Company" has the meaning assigned by Section 809.001, except that the term does not include a sole proprietorship.
(3) "Governmental entity" has the meaning assigned by Section 2251.001.

Sec. 2274.002. PROVISION REQUIRED IN CONTRACT. (a) This section applies only to a contract that:

(1) is between a governmental entity and a company with 10 or more full-time employees; and
(2) has a value of $100,000 or more that is to be paid wholly or partly from public funds of the governmental entity.

(b) Except as provided by Subsection (c), a governmental entity may not enter into a contract with a company for goods or services unless the contract contains a written verification from
the company that it:

(1) does not boycott energy companies; and

(2) will not boycott energy companies during the term of the contract.

(c) Subsection (b) does not apply to a governmental entity that determines the requirements of Subsection (b) are inconsistent with the governmental entity's constitutional or statutory duties related to the issuance, incurrence, or management of debt obligations or the deposit, custody, management, borrowing, or investment of funds.

SECTION 3. Chapter 2274, Government Code, as added by this Act, applies only to a contract entered into on or after the effective date of this Act. A contract entered into before that date is governed by the law in effect on the date the contract was entered into, and the former law is continued in effect for that purpose.

SECTION 4. This Act takes effect September 1, 2021.
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President of the Senate  
Speaker of the House

I hereby certify that S.B. No. 13 passed the Senate on April 15, 2021, by the following vote: Yeas 26, Nays 4; May 12, 2021, Senate refused to concur in House amendments and requested appointment of Conference Committee; May 14, 2021, House granted request of the Senate; May 28, 2021, Senate adopted Conference Committee Report by the following vote: Yeas 28, Nays 3.

Secretary of the Senate

I hereby certify that S.B. No. 13 passed the House, with amendments, on May 4, 2021, by the following vote: Yeas 105, Nays 40, two present not voting; May 14, 2021, House granted request of the Senate for appointment of Conference Committee; May 28, 2021, House adopted Conference Committee Report by the following vote: Yeas 121, Nays 26, one present not voting.

Chief Clerk of the House

Approved:

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Date

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Governor