

A BILL TO BE ENTITLED

AN ACT

relating to the creation of the Texas future fund, the Texas future fund investment review board, and permissible investments by the economic stabilization fund.

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

SECTION 1. Chapter 403 Government Code, is amended by adding Subchapter U to read as follows:

SUBCHAPTER U. TEXAS FUTURE FUND

Sec. 403.701. DEFINITIONS. In this subchapter:

(1) "Fund" means the Texas future fund.

(2) "Board" means the Texas future fund investment review board.

(3) "Trust company" means the Texas treasury safekeeping trust company.

Sec. 403.702. ESTABLISHMENT; PURPOSE. (a) The Texas future fund is established to strengthen the state's proven leadership in supporting the advancement of innovative technologies.

(b) The purpose of the fund is to develop and diversify the economy of Texas by making investments in frontier technology infrastructure, industry sectors critical to national defense, and other innovative technologies as recommended by the board.

Sec. 403.703. TEXAS FUTURE FUND. (a) The Texas future fund is a separately managed account within the Texas economic

1 stabilization fund to be administered by the comptroller.

2 (b) Under guidance of the board, the trust company, or the
3 trust company's designated investment manager, shall make
4 investments with money from the fund as authorized by this
5 subchapter. The trust company or its investment manager may,
6 pursuant to the board policy adopted under Sec. 403.708, invest
7 proceeds, interest earned, or other earnings received from the sale
8 of stock or other investments in the fund. The trust company shall
9 provide separate accounting and reporting for the investments in
10 the fund and shall credit to the fund all payments, distributions,
11 interest, and other earnings on the investments in the fund.

12 (c) In managing these investments, the trust company may,
13 under guidance of the board, acquire, exchange, sell, supervise,
14 manage, or retain any kind of investment that a prudent investor,
15 exercising reasonable care, skill, and caution, would acquire or
16 retain in light of the purposes, terms, distribution requirements,
17 and other circumstances then prevailing for the fund, taking into
18 consideration the investment of all the assets of the fund rather
19 than a single investment.

20 (d) Amounts invested pursuant to this subchapter are not
21 included in the balance of the economic stabilization fund for
22 purposes of Section 404.0241(b).

23 (e) The reasonable expenses of administering and managing
24 the fund and its assets shall be paid from the fund.

25 Sec. 403.704. THIRD-PARTY CONTRACTS; AUDITS. (a) The
26 trust company may enter into contracts with one or more qualified
27 third-parties for the administration, management, and custody of

1 the assets of the fund and any other responsibilities authorized
2 under this subchapter. An entity that is contracted to administer,
3 manage, or custody assets of the fund shall be required
4 contractually to act in a fiduciary capacity with respect to the
5 assets of the fund.

6 (b) The trust company may contract with a certified public
7 accountant to perform an independent audit of the fund.

8 (c) The trust company may contract with a licensed attorney
9 to review contracts and other legal documents.

10 Sec. 403.705. FUTURE FUND INVESTMENT REVIEW BOARD
11 COMPOSITION. (a) the Texas future fund investment review board is
12 the governing body of the fund. The board is composed of the
13 following nine members:

14 (1) two members appointed by the governor;

15 (2) two members appointed by the lieutenant governor;

16 (3) two members appointed by the speaker of the house
17 of representatives; and

18 (4) three members appointed by the comptroller of
19 public accounts, one of which shall be designated the chair of the
20 board.

21 (b) In making appointments to the board:

22 (1) the governor, lieutenant governor, speaker of the
23 house of representatives, and comptroller must each appoint one
24 member with experience in either private equity, venture capital,
25 or similar fields.

26 (2) the governor, lieutenant governor, speaker of the
27 house of representatives, and comptroller must each appoint one

1 member with experience in either frontier technology
2 infrastructure, industry sectors critical to national defense, or
3 other innovative technologies; and

4 (3) the comptroller must appoint one member with
5 experience managing, directing, overseeing, or investing public
6 funds or public pension assets.

7 (c) A person may not be a member of the board if the person
8 or the person's spouse:

9 (1) is employed by, or participates in, the management
10 of a business entity or other organization receiving an investment
11 from the fund; or

12 (2) owns or controls, directly or indirectly, an
13 interest in a business entity, or other organization receiving an
14 investment from the fund.

15 Sec. 403.706. BOARD MEMBER TERMS; VACANCY. (a) board
16 members appointed by the governor, lieutenant governor, speaker of
17 the house, and comptroller serve at the pleasure of the appointing
18 office for staggered six-year terms, with the terms of three
19 members expiring on January 31 of each odd-numbered year.

20 (b) Not later than the 30th day after the date a board
21 member's term expires, the appropriate appointing authority shall
22 appoint a replacement.

23 (c) If a vacancy occurs on the board, the appropriate
24 appointing authority shall appoint a successor, in the same manner
25 as the original appointment, to serve for the remainder of the
26 unexpired term. The appropriate appointing authority shall appoint
27 the successor not later than the 30th day after the date the vacancy

1 occurs.

2 Sec. 403.707. CONFLICTS OF INTEREST. (a) Subject to the
3 approval of the comptroller, the board shall adopt a code of ethics,
4 including conflict-of-interest standards, based on standards of
5 professional conduct and ethics common in the financial industry
6 for conduct governing members of the board and the investment
7 decision-making process. Each member of the board shall affirm in
8 writing the member's compliance with the code of ethics and the
9 corresponding conflict-of-interest standards.

10 (b) The conflict-of-interest standards shall, at a minimum,
11 define conflicts of interest and address appropriate standards for
12 recusal, required disclosure of conflicts, waivers of conflicts,
13 and actions required to address undisclosed conflicts.

14 Sec. 403.708. BOARD POWERS AND DUTIES. (a) The board shall
15 oversee the investment of the fund, including providing guidance on
16 the investment philosophy that should be pursued in managing the
17 assets of the fund.

18 (b) The board shall develop and require adherence to
19 procedures for operational and investment due diligence on
20 opportunities that meet the requirements of this subchapter. The
21 procedures shall be based upon financial industry best practices.

22 (c) The board shall develop and maintain a list of target
23 industries and opportunities that represent sectors critical to
24 national defense, frontier technologies with the greatest
25 potential to drive innovation, and the diversification of the
26 economy of Texas.

27 (d) The board shall establish an investment policy for the

1 fund. Subject to the approval of the comptroller, the investment
2 policy must, at a minimum, include the following requirements,
3 limitations, and preferences:

4 (1) limit Texas future fund investment to no more than
5 twenty percent of the estimated total value of any single project
6 calculated at the time of investment;

7 (2) limit Texas future fund participation to no more
8 than thirty percent of the total value of any single company
9 calculated at the time of the investment;

10 (3) prioritization of investments in companies with a
11 physical presence in Texas;

12 (4) prioritization of investments in companies
13 expanding employment opportunities in Texas;

14 (5) a prohibition on the use of race, color,
15 ethnicity, sex, gender identity, or sexual orientation in
16 investment decisions; and

17 (6) compliance with investment restrictions contained
18 in Chapters 2270, 2271, 2273, 2274, 2275, and 2276 of the Texas
19 Government Code.

20 (e) The board shall biennially set priorities for the fund's
21 investment program and consider the priorities in making investment
22 decisions under this subchapter.

23 (f) The board may conduct a closed meeting in accordance
24 with Subchapter E, Chapter 551, Texas Government Code, to discuss
25 issues related to managing, acquiring, or selling securities.

26 (g) The board shall meet at least two times per year to
27 review the fund's investments.

1 (h) The comptroller shall provide administrative support
2 and resources to the board as necessary for the board to perform its
3 duties under this subchapter.

4 (j) Not later than December 31 of each even numbered year,
5 the board shall submit a report to the legislature with the
6 following information:

7 (1) a summary of the investments made as of the most
8 recent fiscal-year end, including the name of the companies, the
9 amount of the investments, and brief description of the companies
10 activities; and

11 (2) a summary of the estimated impact the investments
12 have had on the Texas economy.

13 Sec. 403.709. PUBLIC INFORMATION. (a) The following
14 information is public information and may be disclosed under
15 Chapter 552, Government Code:

16 (1) the name, address, and a summary description of an
17 entity that has received an investment from the fund;

18 (2) the date on which the fund made an investment in
19 the company and the date of any follow-on investments if
20 applicable;

21 (3) the dollar amount of capital committed or invested
22 in a company or project;

23 (4) the dollar amount of capital returned by the
24 company in connection with an investment from the fund;

25 (5) the internal rate of return or another investment
26 performance metric used in connection with each investment the fund
27 has made and the date on which the return or other investment

1 performance metric was calculated;

2 (6) the names of the principals responsible for
3 managing any company in which the fund is or has invested;

4 (7) each recusal filed by a member of the board in
5 connection with a deliberation or decision of the board relating to
6 an investment;

7 (8) the minutes and audio or video recordings of each
8 open portion of a meeting of the board at which an item described by
9 this subsection was discussed;

10 (9) the state's percentage ownership interest in a
11 company that received an investment from the fund;

12 (10) any annual ethics disclosure report submitted to
13 the board or the trust company from a company that has received an
14 investment from the fund; and

15 (11) any other relevant information concerning a fund
16 investment with the consent of the receiving company.

17 (b) All information received by the board, the comptroller,
18 the trust company, or a contractor of the comptroller or the trust
19 company from or about a company that has received an investment
20 from the fund or a company that was considered for an investment
21 from the fund that is not listed in subsection (a) is confidential
22 and excepted from the requirements of chapter 552.

23 Sec. 403.710. BOARD MEMBER TRAINING. (a) Before a member
24 of the board may assume the member's duties, the member must
25 complete a training course provided by the comptroller.

26 (b) A training program established under this section shall
27 provide information to the member regarding:

1 (1) the role and functions of the board; and

2 (2) the requirements of:

3 (A) Chapter 551, Texas Government Code; and

4 (B) Chapter 552, Texas Government Code.

5 Sec. 403.711. COMPENSATION AND EXPENSES OF APPOINTED BOARD
6 MEMBERS. Appointed members of the board shall serve without pay but
7 shall be reimbursed for their actual expenses incurred in
8 attending meetings of the board or in performing other work of the
9 board when that work is approved by the chair of the board.

10 Sec. 403.712. INVESTMENT PROCEDURE. (a) Subject to the
11 comptroller's approval, the board shall develop procedures for
12 making investments under this subchapter.

13 (b) For each investment being considered, the trust company
14 or the trust company's designated investment manager shall:

15 (i) present its due diligence findings to the board;

16 (ii) provide a written investment memorandum,
17 summarizing the investment opportunity, along with an assessment
18 of the expected investment risk and rate of return, and estimated
19 impact on the state's economy; and

20 (iii) provide a summary of how each opportunity being
21 recommended meets the overall objectives of the board's investment
22 policy and related investment requirements;

23 SECTION 2. Section 404.0241, Government Code, is amended by
24 adding a new subsection (b-6) to read as follows:

25 (b-6) Notwithstanding any other law, the comptroller shall
26 designate \$5 billion of the economic stabilization fund to comprise

1 a separately managed account within the economic stabilization fund
2 called the "Texas Future Fund", to be administered by the
3 comptroller and managed in accordance with Chapter 403, Subchapter
4 U.

5 SECTION 3. This Act takes effect immediately if it receives
6 a vote of two-thirds of all the members elected to each house, as
7 provided by Section 39, Article III, Texas Constitution. If this
8 Act does not receive the vote necessary for immediate effect, this
9 Act takes effect September 1, 2025.