

## **BILL ANALYSIS**

Senate Research Center  
76R13292 JSA-F

H.J.R. 58  
By: Junell (Ratliff)  
Finance  
5/7/1999  
Engrossed

### **DIGEST**

Currently, the board of regents of The University of Texas System maintains financial control of the permanent university fund (PUF). Total returns from investments of the PUF produce the available university funds, which helps finance higher education in Texas. The board of regents must exercise certain controls over the investment decision of the PUF, as required by the Texas Constitution. H.J.R. 58 requires the submission to the voters of a constitutional amendment authorizing the board of regents to manage any kind of investment of the permanent university fund in accordance with the standards of a prudent investor.

### **PURPOSE**

As proposed, H.J.R. 58 requires the submission to the voters of a constitutional amendment authorizing the board of regents of The University of Texas System to manage any kind of investment of the permanent university fund in accordance with the standards of a prudent investor.

### **RULEMAKING AUTHORITY**

This bill does not grant any additional rulemaking authority to a state officer, institution, or agency.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 11b, Article VII, Texas Constitution, to authorize the board of regents of The University of Texas System (board) to exercise certain financial controls over the assets of the permanent university fund (PUF) that prudent investors would exercise. Deletes provisions that the investment decisions must be exercised according to certain judgments that exclude speculation and other financial options and that state this section does not affect certain custodial responsibilities of the comptroller.

SECTION 2. Amends Section 18, Article VII, Texas Constitution, by amending Subsection (e) and by adding Subsection (f), to provide that the available university fund (fund) consists of the distributions made to it from the total return on all investment assets of the PUF, rather than dividends, interests, and other income of the PUF less administrative expenses. Requires the amounts of the distributions to be determined by the board in a manner intended to provide the fund with a stable and predictable stream of annual distributions, and to maintain the purchasing power of the PUF investments and fund distributions. Requires the fund distributions in a fiscal year to be not less than an amount to pay the principal and interest of that fiscal year on bonds and notes issued under this section. Prohibits the board from increasing annual distributions to the fund until the purchasing power of the PUF for any rolling 10-year period is restored, except to pay certain debts. Prohibits the annual distributions from exceeding seven percent of the average net fair market value of the PUF's investment assets, except to pay off certain debts. Requires the expenses of managing the land and investments of the PUF to be paid by the PUF. Requires certain payments to be made out of the annual distribution from the PUF. Makes conforming changes.

SECTION 3. TEMPORARY PROVISION. Makes application of this amendment prospective to January 1, 2000. Sets forth certain distributions to be made from the PUF to the fund in order to ensure that the amendment does not impair certain current obligations. Provides that this section expires January 1, 2003.

SECTION 4. Requires the submission to the voters of this constitutional amendment at an election to be held November 2, 1999. Sets forth required language for the ballot.