

BILL ANALYSIS

Senate Research Center
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S.B. 982
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Finance
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DIGEST AND PURPOSE

Currently, all agencies that invest state funds have in place ethics guidelines and financial disclosure requirements for board members and staff involved in the investment decision-making process. The investment policies and disclosure requirements, however, vary from one agency to another. As proposed, S.B. 982 proposes a minimum set of ethics guidelines and financial disclosure requirements for any agency investing state funds.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the governing body of a state governmental entity that manages or invests state funds in SECTION 1 (Section 2262.005 and Section 2262.006. Government Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Title 10F, Government Code, by adding Chapter 2262, as follows:

CHAPTER 2262. ETHICS REQUIREMENTS FOR MANAGING OR INVESTING STATE FUNDS

Sec. 2262.001. **APPLICABILITY; CONSTRUCTION WITH OTHER LAW.** Provides that this chapter applies in connection with the management or investment of any state fund managed or invested under certain stated conditions. Provides that, to the extent of a conflict between this chapter and another law, the law that imposes a stricter ethics requirement controls.

Sec. 2262.002. **ETHICS REQUIREMENTS.** Requires that, in addition to any other requirements provided by law, the governing body of a state governmental entity that manages or invests state funds enforce an ethics policy as provided by this chapter for certain persons.

Sec. 2262.003. **ETHICS REQUIREMENTS FOR EMPLOYEES; FINANCIAL DISCLOSURE STATEMENT.** (a) Requires each employee of a state governmental entity who exercises significant decision-making or fiduciary authority in connection with the management or investment of state funds, as determined by the governing body of the entity, to file a financial disclosure statement with a person designated by the governing body.

(b) Requires the content of the financial disclosure statement to substantially comply with the requirements of Chapter 572B (Personal Financial Statement).

(c) Requires the employee to file financial personal statements according to a certain schedule. Authorizes the filing deadline to be postponed by certain persons and for certain reasons.

(d) Requires the state governmental entity to maintain a financial disclosure statement

for at least five years after the date of its filing.

Sec. 2262.004. **ETHICS REQUIREMENT FOR EMPLOYEES: DISCLOSURE OF CERTAIN RELATIONSHIPS.** (a) Requires an employee of a state governmental entity who has a certain business or commercial relationship to disclose the relationship in writing to a person designated by the governing body.

(b) Prohibits an employee who files a disclosure statement under Subsection (a) from giving advice or making decisions about certain matters unless the governing body, after consultation with the general counsel of the state governmental entity, expressly waives this prohibition. Requires the state governmental entity to maintain a written record of each waiver and the reasons for it.

(c) Authorizes the governing body to delegate the authority to waive prohibitions under Subsection (b) to one or more designated employees or officers. Authorizes the governing body to adopt criteria for designated employees to use to determine the kinds of relationships that do not constitute a material conflict of interests for purposes of Subsection (b). Authorizes a multimember governing body to delegate this authority only by a certain stated process.

Sec. 2262.005. **ETHICS REQUIREMENTS FOR CONSULTANTS AND ADVISORS.**

(a) Requires the governing body by rule to adopt standards of conduct applicable to consultants and advisors who advise the state governmental entity in connection with the management or investment of state funds and who meet certain other requirements.

(b) Requires a consultant or advisor who advises a state governmental entity in connection with the management or investment of state funds to disclose in writing to the administrative head of the entity any relationship the consultant or advisor has with any party to a transaction with the state governmental agency, other than certain types of relationships, under certain conditions.

(c) Requires the advisor or consultant to disclose a relationship described by Subsection (b) without regard to whether the relationship is a direct, indirect, personal, private, commercial, or business relationship.

Sec. 2262.006. **DISCLOSURE OF CERTAIN EXPENDITURES BY CONSULTANTS, ADVISORS, AND BROKERS.** Requires the governing body by rule to require consultants and advisors who provide investment or funds management advice to the state governmental entity and brokers who provide financial services to the state governmental entity to file regularly with the entity a report detailing certain expenditures.

Sec. 2262.007. **PUBLIC INFORMATION.** Provides that statements, waivers, and reports filed under this chapter are public information subject to required disclosure in accordance with Chapter 552. Requires the governing body to designate an employee to be the custodian of the statements, waivers, and reports for purposes of public disclosure.

Sec. 2262.008. **FORMS.** Requires the governing body to prescribe certain forms and waivers.

SECTION 2. Requires each state governmental entity required to adopt rules under Chapter 2262, Government Code, as added by this Act, to adopt its initial rules in time for the rules to take effect not later than January 1, 2002.

SECTION 3. Effective date: September 1, 2001.

