

BILL ANALYSIS

Senate Research Center
82R11392 KEL-D

S.B. 1555
By: Rodriguez
Higher Education
4/11/2011
As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The Permanent University Fund (PUF) is a multi-billion dollar public endowment contributing to the support of The University of Texas System (UT System) and The Texas A&M University System.

The Texas Constitution vests fiduciary responsibility for the PUF with The UT System's board of regents (board). The board has contracted with a nonprofit corporation, The University of Texas Investment Management Company (UTIMCO), for UTIMCO to invest funds under the control and management of the board. The PUF investments are diversified across many types of asset classes.

S.B. 1555 will encourage UTIMCO to hire smaller investment firms, emerging fund managers, that have offices in Texas or invest PUF assets in Texas companies. In addition, many emerging fund managers perform in the top-quartile of financial performance metrics, provide a higher return of investments, and provide a higher level of service.

As proposed, S.B. 1555 amends current law relating to the investment of the permanent university fund and other funds under the management and control of the board of regents of The University of Texas System.

RULEMAKING AUTHORITY

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

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 66.08, Education Code, by adding Subsection (b-1), as follows:

(b-1) Requires a corporation, in awarding investment contracts to private professional investment managers or in otherwise seeking or acquiring private financial services in relation to its investments under this section, to make a good faith effort to award contracts to or to seek or acquire services from qualified emerging fund managers.

SECTION 2. Amends Section 66.08(o), Education Code, by adding Subdivisions (1-a) and (1-b), to define "emerging fund manager" and "financial services."

SECTION 3. Effective date: upon passage or September 1, 2011.