

BILL ANALYSIS

Senate Research Center

S.B. 1019
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Higher Education
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As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

S.B. 1019 allows institutions with endowments of less than \$25 million to pool their cash and non-endowment funds with another university to improve investment earnings.

The current law states that an institution with an endowment of less than \$25 million must invest its funds (cash and non-endowment funds) as outlined in the Public Funds Investment Act (PFIA), Chapter 2256 (Public Funds Investment), Government Code.

Section 51.0031(c), Education Code, authorizes a governing board, if it has under its control at least \$25 million in book value of endowment funds, to invest all funds described in this section under prudent person standards.

Midwestern State University (MSU) and Stephen F. Austin University (SFA) are institutions with endowments of less than \$25 million. Unfortunately, because of the limitations of PFIA, these institutions achieve, at best, a return of 1.2 percent on short term investments. If MSU were able to pool its funds with another university that has an endowment of greater than \$25 million, it could earn around three percent, increasing its cash investment earnings by about \$500,000 per year.

As proposed, S.B. 1019 amends current law relating to the investment of funds by the governing boards of certain institutions of higher education.

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 51.0031, Education Code, by adding Subsection (c-1), as follows:

(c-1) Authorizes a governing board, if the governing board does not have under its control at least \$25 million in book value of endowment funds, to contract to pool its funds described in this section (Deposits and Investments) with another institution that meets the \$25 million in book value of endowment funds threshold established under Subsection (c) (relating to authorizing a governing board, if the governing board has under its control at least \$25 million in book value of endowment funds, to invest all funds under this section under prudent person standards), and have its funds invested by that governing board under prudent person standards.

SECTION 2. Effective date: September 1, 2013.