

## **BILL ANALYSIS**

Senate Research Center  
86R27589 GCB-D

H.B. 4388  
By: Murphy et al. (Campbell)  
Education  
5/15/2019  
Engrossed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

There have been calls to allow the State Board of Education (SBOE) and the School Land Board to make additional long-term investments on their current portfolio using liquid assets. H.B. 4388 seeks to address these calls by establishing the permanent school fund liquid account and authorizing SBOE to invest funds in the account in a manner authorized by applicable law.

H.B. 4388 amends current law relating to the management of the permanent school fund by the School Land Board and the State Board of 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 Chapter 43, Education Code, by adding Section 43.0052, as follows:

Sec. 43.0052. QUARTERLY REPORTS. Requires the State Board of Education (SBOE), each quarter, to provide to the School Land Board (SLB) a financial report on the portion of the permanent school fund assets and funds for which SBOE is responsible. Requires the report to include certain financial information.

SECTION 2. Amends Subchapter C, Chapter 32, Natural Resources Code, by adding Section 32.068, as follows:

Sec. 32.068. QUARTERLY REPORTS. Requires SLB, each quarter, to provide to SBOE a financial report on the portion of the permanent school fund assets and funds for which SLB is responsible. Requires the report to include certain financial information.

SECTION 3. Amends Section 51.402(c), Natural Resources Code, as follows:

(c) Prohibits the market value of the investments under Subsections (a)(6) (relating to authorizing SLB to use certain funds to acquire interests in real estate) and (8) (relating to authorizing SLB to use certain funds to acquire, sell, lease, trade, improve, maintain, protect, or use land, mineral and royalty interests, or real estate investments, an investment or interest in public infrastructure, or other interests, at such prices and under such terms and conditions SLB determines to be in the best interest of the permanent school fund), notwithstanding Subsection (a) (relating to authorizing SLB to use certain funds to fund specified projects), on January 1 of each even-numbered year, from exceeding an amount that is equal to 15 percent of the market value of the permanent school fund on that date, rather than prohibiting the market value of the investments in real estate under this section (Use of Designated Funds), notwithstanding Subsection (a), on January 1 of each even-numbered year from exceeding an amount that is equal to 15 percent of the market value of the permanent school fund on that date.

SECTION 4. Amends Subchapter I, Chapter 51, Natural Resources Code, by adding Section 51.414, as follows:

Sec. 51.414. PERMANENT SCHOOL FUND LIQUID ACCOUNT. (a) Provides that the permanent school fund liquid account is established as an account in the permanent school fund in the State Treasury to be used by SLB and SBOE as provided by this section.

(b) Requires SLB, each quarter, to hold a meeting and adopt a resolution to release from the real estate special fund account funds designated under Section 51.401 (Real Estate Special Fund Account) that are not being used for a purpose listed in Section 51.402(a) and are not required for SLB's anticipated cash needs for the 90-day period following the date of the meeting, to be deposited to the credit of the permanent school fund liquid account in the State Treasury.

(c) Authorizes SBOE to invest funds in the permanent school fund liquid account. Authorizes the investments to be made only in liquid assets, in the same manner that the permanent school fund is managed by SBOE.

(d) Requires investment income and realized capital gains derived from funds in the permanent school fund liquid account to be deposited in the State Treasury to the credit of SBOE for investment in the permanent school fund. Provides that this subsection does not require a deposit if the market value of the assets held in the permanent school fund liquid account is below cost.

(e) Authorizes SBOE to use funds in the permanent school fund liquid account to pay for administrative costs associated with implementing this section, including costs associated with contracts for professional investment management, investment advisory services, or custodial services.

(f) Requires SLB to provide to SBOE in each quarterly report required by Section 32.068 SLB's anticipated cash needs for the six-month period following the date of the report, to allow SBOE to ensure that SLB's cash needs may be met as provided by Subsection (g).

(g) Requires SBOE, not later than the fifth business day after the date of a request of SLB, to release from the permanent school fund liquid account funds to be deposited to the credit of the real estate special fund account in the State Treasury in an amount requested by SLB.

SECTION 5. Effective date: September 1, 2019.