

SUBJECT: Composition and appointment of the UTIMCO board of directors

COMMITTEE: Higher Education — committee substitute recommended

VOTE: 8 ayes — Branch, Alonzo, Bonnen, Brown, D. Howard, Johnson, Lewis, Patrick
1 present, not voting — Castro
0 nays

WITNESSES: For — None
Against — None
On — Stanton Calvert, Texas A&M University System

BACKGROUND: Education Code, sec. 66.08 authorizes the board of regents of the University of Texas (UT) System to delegate investment management authority for the Permanent University Fund to a nonprofit corporation (UTIMCO). The Permanent University Fund supports both the UT System and the Texas A&M University (A&M) System.

Sec. 66.08 also describes the composition and appointment of the UTIMCO board of directors. The board of directors must have nine members that include the UT System chancellor, three UT regents, and at least one individual with substantial background and expertise in investments that is nominated by the A&M System board of regents. The UT System board of regents must appoint and remove all members of the UTIMCO board of directors, including the member(s) nominated by the A&M System board of regents.

DIGEST: CSHB 2825 would amend sec. 66.08 to change the composition and appointment of the nine-member UTIMCO board of directors by replacing the one or more A&M System nominee(s) with two A&M System appointees, at least one of whom would have to have substantial background and expertise in investments, and by requiring the three remaining UT System appointees to have substantial background and expertise in investments. The UTIMCO board seats for the UT System

chancellor and three UT System regents would remain and continue to be appointed by the UT System board of regents. The bill would give the authority to remove and replace a member to whichever system appointed that member.

The bill would establish a process for implementing the changes. The bill's provisions would not affect board members serving on the effective date.

The bill would take immediate effect if it finally passed by a two-thirds vote of the elected membership of each house. Otherwise, it would take effect September 1, 2011.