

## **BILL ANALYSIS**

Senate Research Center

S.B. 2348  
By: Ogden  
Higher Education  
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As Filed

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

Currently, the board of directors of the corporation to which the board of regents of The University of Texas System (UT System) delegates investment authority for the permanent university fund lacks any independence from the system. All members of the board of directors are appointed and removed by the board of regents.

As proposed, S.B. 2348 changes the size of the board of directors of the corporation and the manner in which they are appointed. S.B. 2348 also requires prior approval by the Legislative Budget Board, the governor, and the attorney general for any payment to a director, officer, or employee of the corporation of a bonus, reward, or other incentive based on performance.

### **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 amending Subsections (d) and (e) and adding Subsections (d-1) and (i-1), as follows:

(d) Requires the board of directors of the corporation to have seven, rather than nine, members appointed as follows:

(1) three members appointed by the board of regents of The University of Texas System;

(2) one member appointed by the board of regents of The Texas A&M University System; and

(3) three members appointed by the governor with the advice and consent of the senate. Deletes existing text requiring the board of regents (board) to appoint and remove all members of the board of directors of the corporation, and requiring at least three members of the board and the chancellor of The University of Texas System to be appointed as directors.

(e) Provides that each member of the board of directors of the corporation is subject to removal and replacement by the appointing entity. Authorizes the governor to remove a member appointed by the governor without the advice and consent of the senate but prohibits replacing the member without the advice and consent of the senate. Deletes existing text requiring the board to select one or more of the members of the board of directors of the corporation from a list of candidates with substantial background and expertise in investments that is submitted to the board by the board of regents of The Texas A&M University System.

(i-1) Prohibits the corporation from paying a director, officer, or employee of the corporation a bonus, reward, or other incentive payment based on the performance of the director, officer, or employee, including the performance of an investment made or recommended by the director, officer, or employee, unless the payment is approved in writing by the Legislative Budget Board, the governor, and the attorney general.

SECTION 2. (a) Requires the appropriate appointing entities, not later than January 1, 2010, to appoint the members of the board of directors of a corporation established under Section 66.08 (Investment Management), Education Code, in accordance with the change in law made by this Act regarding the composition of the board of directors. Provides that the members of the board of directors appointed under this subsection take office January 1, 2010. Provides that on that date, the incumbent members of the board of directors are considered removed from the board of directors.

(b) Provides that until January 1, 2010, the composition of the board of directors of a corporation established under Section 66.08, Education Code, is as provided by the law in effect immediately before the effective date of this Act.

SECTION 3. Effective date: upon passage or September 1, 2009.