

**LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS**

Bill Number: HB 353

50th Legislature, 1st Session, 2011

Tracking Number: .183803.2

Short Title: Higher Ed. Inst. Endowment Fund Standards

Sponsor(s): Representatives Larry Larrañaga and Jimmie C. Hall and Others

Analyst: Ally Hudson

Date: February 24, 2011

Bill Summary:

HB 353 amends higher education provisions in current law to clarify the standards for investment of institution endowment funds managed by public postsecondary educational institutions.

Specifically, HB 353 changes the law to require:

- investments and expenditures in accordance with the *Uniform Prudent Management of Institutional Funds Act*; and
- that Board of Finance regulations provide for the application of the Standard of Loyalty outlined in current law: in the section known as the “Prudent Investor Rule.”

Fiscal Impact:

HB 353 does not contain an appropriation.

Fiscal Issues:

According to an analysis by the Higher Education Department (HED):

- HB 353 could result in a fiscal impact to institutions in terms of the expenditure of endowment earnings;
- the department does not receive endowment reports from the institutions on a regular basis and thus, does not know what the current endowment values are; and
- summary information on institutional endowments is included in the annual audit reports as part of the fiduciary funds schedules.

Substantive Issues:

According to HED’s analysis:

- In 2002, statute created the Faculty Endowment Fund (renamed the Higher Education Endowment Fund in 2008) under HED to receive state appropriations for distribution to the public postsecondary institutions according to certain requirements.

- Upon securing a stipulated percentage of non-governmental monies, institutions submitted draw requests and signed certifications to HED to receive their share of matching state appropriations.
- Institutions or other foundations invested the combined funds according to their investment policies in compliance with state law.

Regarding the history of appropriations to, and expenditures from, the fund, the HED analysis states:

- in 2007, the Higher Education Endowment Fund received an appropriation of \$12.0 million;
- in 2008, the Higher Education Endowment Fund received an appropriation of \$5.6 million;
- in 2009, legislation transferred \$600,000 from the fund into the General Fund as part of budget solvency measures;
- the current fund balance is approximately \$82,700, consisting of \$15,000 un-drawn money and cumulative interest earnings; and
- HED anticipates that the balance will be transferred to the General Fund.

Related Bills:

None as of February 24, 2011.