

INTRODUCTION

Comptroller & Trust Company

The Comptroller of Public Accounts invests the hereinafter-described funds with the advice of and in consultation with the Investment Advisory Board as mandated by the legislature.¹ The Comptroller administers the funds through the Texas Treasury Safekeeping Trust Company. The Trust Company is a special-purpose company created under state law to enable the Comptroller to manage funds more efficiently and economically.² The Comptroller is the sole officer, director, and shareholder of the Trust Company and charged with managing the company.³ The Comptroller may delegate any of her duties, including management and investment related duties, to the chief executive officer and employees of the Trust Company.⁴

PERMANENT TRUST FUNDS ADMINISTERED BY TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

1. Tobacco Settlement Permanent Trust Account
2. Permanent Fund for Health and Tobacco Education and Enforcement
3. Permanent Fund for Emergency Medical Services and Trauma Care
4. Permanent Fund for Children and Public Health
5. Permanent Fund for Rural Health Facility Capital Improvement
6. Permanent Hospital Fund for Capital Improvements and the Texas Center for Infectious Disease
7. Permanent Health Fund for Higher Education Nursing, Allied Health, and Other Health-Related Programs
8. Permanent Fund for Minority Health Research and Education
9. Permanent Endowment Fund for the Rural Communities Health Care Investment Program
10. National Research University Fund
11. Texas Preservation Trust Fund Account
12. Permanent Fund Supporting Military and Veterans Exemptions
13. Texas Financial Education Endowment

* All statutory references relate to the laws in effect as of January 2015.



¹ See TEX. GOV'T CODE ANN. § 404.028.

² See id. § 404.102(a), (b).

³ See id. § 404.104(a).

⁴ See id. § 404.115(b).

TOBACCO SETTLEMENT PERMANENT TRUST ACCOUNT

Description

This trust account (the “Fund”) is established with the Comptroller, outside the general revenues, to provide annual distributions to political subdivisions and hospital districts responsible for providing indigent health care to the general public.¹ The Fund consists of payments from the additional tobacco settlement proceeds received under the “most favored nation” clause of the settlement agreement with the tobacco companies, earnings on those amounts, and any other contributions made to the Fund.² The Comptroller is authorized to manage the Fund, with the advice and in consultation with the Advisory Committee,³ consistent with the “prudent person” standard, looking at the whole investment portfolio and in the context of the overall investment strategy.⁴ The Comptroller must make annual distributions of the net investment earnings to each eligible entity as certified by the Texas Department of Health.⁵ The corpus of the Fund cannot be distributed.⁶ The aggregate amount available for distribution is determined in accordance with a formula, adopted by rule, designed to protect and grow the corpus while providing a stable distribution over the years to the eligible entities.⁷

Enabling Legislation

Section 403.1041 of the Government Code establishes the Fund and section 403.1042 establishes the Advisory Committee. House Bill 1161 enacted these provisions in 1999. Sections 18.1-18.8 of the Administrative Code sets out the rules applicable to the Fund and the Comptroller’s duties.

Appropriations & Transfers

This trust was funded with the additional tobacco settlement proceed payments made in accordance with the Agreement Regarding Disposition of Settlement Proceeds by and among the Texas Attorney General, Rob Junell, Chairman, House Appropriations Committee, Bill Ratliff, Chairman, Senate Finance Committee, and certain counties and hospital districts (the “Disposition Agreement”) filed on July 24, 1998 in *State v. American Tobacco Co.*⁸



¹ See TEX. GOV'T CODE ANN. § 403.1041.

² See TEX. GOV'T CODE ANN. § 403.1041(a)(3), (d); OFFICE OF HOUSE BILL ANALYSIS, Tex. H.B. 1161, 76th Leg., R.S. (1999) (Background and Purpose); see also *infra* note 15.

³ The Advisory Committee comprises 11 members, one appointed by the Comptroller and the remaining by political subdivisions and hospital districts receiving annual distributions and four regional county judges and county commissioners associations. See TEX. GOV'T CODE ANN. § 403.1042.

⁴ See *id.* § 403.1041(c).

⁵ See *id.* § 403.1041(f).

⁶ See *id.* 403.1041(d).

⁷ See 34 TEX. ADMINISTRATIVE CODE §18.2.

⁸ See *Disposition Agreement* at 3 (parties agree to distribute for the exclusive benefit of the political subdivisions “a sum of money equal to [100%] of the increased payments made to the State of Texas by the Settling Defendants as a result of the State of Minnesota Settlement and the Most Favored Nation Clause contained in paragraph 16 of the January 16, 1998 settlement agreement between the State . . . and the . . . Defendants.”); *id.* at 3-4 (allocating the additional funds into two pools, one subject to lump sum distributions and the other subject to payments into a permanent trust account subject to adjustment as provided in the Tobacco Settlement Agreement).

Investment Objective

The investment objective of the Fund is to earn a long-term annual rate of return of 8.0% to:

- o provide a predictable, stable stream of distributions
- o ensure that the inflation-adjusted value of distributions is maintained over the long-term
- o ensure that the inflation-adjusted value of the corpus, after distributions, is maintained over the long-term

Distribution Policy

Annual distributions are calculated in accordance with a formula established by rule: 5% of the 20 quarter moving average value of the Fund distributed as follows: no more than 4.5% to political subdivisions; and the remainder to the Distribution Stabilization Account (“DSA”). The DSA is used to supplement distributions in years when net earnings are less than the calculated distribution amount. See 34 TEX. ADMIN. CODE § 18.2 (rule setting out calculation formula and further restrictions).



PERMANENT FUND FOR HEALTH AND TOBACCO EDUCATION AND ENFORCEMENT

Description

The Permanent Fund for Health and Tobacco Education and Enforcement (the “Fund”), a dedicated account in the general revenue fund, is established to fund programs to reduce tobacco product use and preventive medical and dental services to children through appropriations of “available earnings” to the Texas Department of Health.¹ The Comptroller must manage the Fund assets in accordance with the “prudent investor” standard considering the investment of all the assets.² The Fund assets consist of transfers from the tobacco settlement proceeds, available earnings on those amounts, and any gifts or grants.³ The “available earnings” of the Fund are “distributions” to the Fund from the total return on all assets.⁴ The Comptroller must determine the amount of the distributions so as to provide a stable and predictable stream of annual distributions and to maintain over time the Fund’s purchasing power.⁵

Enabling Legislation

Section 403.105 of the Government Code establishes the Fund and section 403.1068 sets out the investment and earnings criteria applicable to the Fund. House Bill 1676 in 1999 enacted these provisions.

Appropriations & Transfers

House Bill 1676 directed the Comptroller to transfer \$200 million from the tobacco proceeds in the general revenue fund to the Fund.⁶

Investment Objective

The investment objective of the Fund is to earn a long-term annual rate of return of 8.0% to:

- o provide a predictable, stable stream of distributions
- o ensure that the inflation-adjusted value of distributions is maintained over the long-term
- o ensure that the inflation-adjusted value of the corpus after distributions is maintained over the long-term



¹ See TEX. GOV'T CODE ANN. § 403.105(a), (c).

² See id. §§ 403.105(a)(3), .1068(b).

³ See id. § 403.105(a).

⁴ See id. § 403.1068(c).

⁵ See id. § 403.1068(d).

⁶ See Act of May 29, 1999, 76th Leg., R.S., ch. 1391, § 3, 1999 Tex. Gen. Laws 4710, 4715.

Distribution Policy

Annual distributions, payable quarterly, from the Fund will be calculated as 4.5% times the five-year moving-average value of the Fund as of June 30. The annual distribution may not exceed 7% of the average net fair market value of the investment assets.⁷ If the purchasing power of Fund investments for any 10-year period is not preserved, the Comptroller may not increase annual distributions to the available earnings of the Fund until the purchasing power of Fund investments is restored.

Also, pursuant to amendments enacted by the 82nd Legislative, 1st called session, the legislature may appropriate money in the fund (including corpus and earnings) to service debt, including principal and interest, on bonds issued under 67, Article III, Texas Constitution, relating to the Cancer Prevention and Research Institute of Texas.⁸ For the 2012-2013 Biennium, the legislature appropriated approximately \$39 million for this purpose. The Trust Company is working with the Texas Public Finance Authority on the actual amounts to be distributed for such debt service payments.



⁷ See TEX. GOV'T CODE ANN. §403.1068(e).

⁸ See Tex. Gov't Code Ann. §403.105 (b-1).

PERMANENT FUND FOR EMERGENCY MEDICAL SERVICES AND TRAUMA CARE

Description

The Permanent Fund for Emergency Medical Services and Trauma Care (the “Fund”), a dedicated account in the general revenue fund, is established to fund programs to provide emergency medical services and trauma care in the state through appropriations of “available earnings” to the Texas Department of Health.¹ The Comptroller must manage the Fund assets in accordance with the “prudent investor” standard considering the investment of all the assets.² The Fund assets consist of transfers from the tobacco settlement proceeds, available earnings on those amounts, and any gifts or grants.³ The “available earnings” of the Fund are “distributions” to the Fund from the total return on all assets.⁴ The Comptroller must determine the amount of the distribution so as to provide a stable and predictable stream of annual distributions and to maintain the Fund’s purchasing power.⁵

Enabling Legislation

Section 403.106 of the Government Code establishes the Fund and section 403.1068 sets out the investment and earnings criteria applicable to the Fund. House Bill 1676 in 1999 enacted these provisions.

Appropriations & Transfers

House Bill 1676 directed the Comptroller to transfer \$100 million from the tobacco proceeds in the general revenue fund to the Fund.⁶

Investment Objective

The investment objective of the Fund is to earn a long-term annual rate of return of 8.0% to:

- o provide a predictable, stable stream of distributions
- o ensure that the inflation-adjusted value of distributions is maintained over the long-term
- o ensure that the inflation-adjusted value of the corpus after distributions is maintained over the long-term



¹ See TEX. GOV'T CODE ANN. § 403.106(a), (c).

² See id. §§ 403.1068(b).

³ See id. § 403.106(a).

⁴ See Id. § 403.1068(c).

⁵ See id. § 403.1068(d).

⁶ See Act of May 29, 1999, 76th Leg., R.S., ch. 1391, § 3, 1999 Tex. Gen. Laws 4710, 4715.

Distribution Policy

Annual distributions, payable quarterly, from the Fund will be calculated as 4.5% times the five-year moving-average value of the Fund as of June 30. The annual distribution may not exceed 7% of the average net fair market value of the investment assets.⁷ If the purchasing power of Fund investments for any 10-year period is not preserved, the Comptroller may not increase annual distributions to the available earnings of the Fund until the purchasing power of Fund investments is restored.⁸

Also, pursuant to amendments enacted by the 82nd Legislative, 1st called session, the legislature may appropriate money in the fund (including corpus and earnings) to service debt, including principal and interest, on bonds issued under 67, Article III, Texas Constitution, relating to the Cancer Prevention and Research Institute of Texas.⁹ For the 2012-2013 Biennium, the legislature appropriated approximately \$19.5 million for this purpose. The Trust Company is working with the Texas Public Finance Authority on the actual amounts to be distributed for such debt service payments.



⁷ See TEX. GOV'T CODE ANN. §403.1068(e).

⁸ See id. §403.1068(d).

⁹ See TEX. GOV'T CODE ANN. §403.106(b-1).

PERMANENT FUND FOR CHILDREN AND PUBLIC HEALTH

Description

The Permanent Fund for Children and Public Health (the “Fund”), a dedicated account in the general revenue fund, is established to fund various health initiatives and services for children and the public through appropriations of “available earnings” to the Texas Department of Health and the Interagency Council on Early Childhood Intervention.¹ The Comptroller must manage the Fund assets in accordance with the “prudent investor” standard considering the investment of all the assets.² The Fund assets consist of transfers from the tobacco settlement proceeds, available earnings on those amounts, and any gifts or grants.³ The “available earnings” of the Fund are “distributions” to the Fund from the total return on all assets.⁴ The Comptroller must determine the amount of the distributions so as to provide a stable and predictable stream of annual distributions and to maintain the Fund’s purchasing power.⁵

Enabling Legislation

Section 403.1055 of the Government Code establishes the Fund and section 403.1068 sets out the investment and earnings criteria applicable to the Fund. House Bill 1676 in 1999 enacted these provisions.

Appropriations & Transfers

House Bill 1676 directed the Comptroller to transfer \$100 million from the tobacco proceeds in the general revenue fund to the Fund.⁶

Investment Objective

The investment objective of the Fund is to earn a long-term annual rate of return of 8.0% to:

- o provide a predictable, stable stream of distributions
- o ensure that the inflation-adjusted value of distributions is maintained over the long-term
- o ensure that the inflation-adjusted value of the corpus after distributions is maintained over the long-term



¹ See Tex. Gov’t Code Ann. § 403.1055(a), (c).

² See id. § 403.1068(b).

³ See id. § 403.1055(a).

⁴ See id. § 403.1068(c).

⁵ See id. § 403.1068(d).

⁶ See Act of May 29, 1999, 76th Leg., R.S., ch. 1391, § 3, 1999 Tex. Gen. Laws 4710, 4715.

Distribution Policy

Annual distributions, payable quarterly, from the Fund will be calculated as 4.5% times the five-year moving-average value of the Fund as of June 30. The annual distribution may not exceed 7% of the average net fair market value of the investment assets.⁷ If the purchasing power of Fund investments for any 10-year period is not preserved, the Comptroller may not increase annual distributions to the available earnings of the Fund until the purchasing power of Fund investments is restored.⁸

Also, pursuant to amendments enacted by the 82nd Legislature, 1st called session, the legislature may appropriate money in the fund (including corpus and earnings) to service debt, including principal and interest, on bonds issued under 67, Article III, Texas Constitution, relating to the Cancer Prevention and Research Institute of Texas.⁹ For the 2012-2013 Biennium, the legislature appropriated approximately \$19.5 million for this purpose. The Trust Company is working with the Texas Public Finance Authority on the actual amounts to be distributed for such debt service payments.



⁷ See TEX. GOV'T CODE ANN. §403.1068(e).

⁸ See id. §403.1068(d).

⁹ See TEX. GOV'T CODE ANN. §1055(b-1).

PERMANENT FUND FOR RURAL HEALTH FACILITY CAPITAL IMPROVEMENT

Description

The Permanent Fund for Rural Health Facility Capital Improvement (the “Fund”), a dedicated account in the general revenue fund, is established to finance health facilities in rural areas of the state through appropriations of “available earnings” to the Office of Rural Affairs.¹ The Comptroller must manage the Fund assets in accordance with the “prudent investor” standard considering the investment of all the assets.² The Fund assets consist of transfers from the tobacco settlement proceeds, available earnings on those amounts, certain loan payments, and any gifts or grants.³ The “available earnings” of the Fund are “distributions” to the Fund from the total return on all assets.⁴ The Comptroller must determine the amount of the distribution so as to provide a stable and predictable stream of annual distributions and to maintain the Fund’s purchasing power.⁵

Enabling Legislation

Section 403.1065 of the Government Code establishes the Fund and section 403.1068 sets out the investment and earnings criteria applicable to the Fund. House Bill 1676 in 1999 enacted these provisions.

Appropriations & Transfers

House Bill 1676 directed the Comptroller to transfer \$50 million from the tobacco proceeds in the general revenue fund to the Fund.⁶

Investment Objective

The investment objective of the Fund is to earn a long-term annual rate of return of 8.0% to:

- o provide a predictable, stable stream of distributions
- o ensure that the inflation-adjusted value of distributions is maintained over the long-term
- o ensure that the inflation-adjusted value of the corpus after distributions is maintained over the long-term



¹ See TEX. GOV'T CODE ANN. § 403.1065(a), (c); id § 487.303.

² See id. §§ 403.1068(b).

³ See id. § 403.1065(a).

⁴ See id. § 403.1068(c).

⁵ See id. § 403.1068(d).

⁶ See Act of May 29, 1999, 76th Leg., R.S., ch. 1391, § 3, 1999 Tex. Gen. Laws 4710, 4715.

Distribution Policy

Annual distributions, payable quarterly, from the Fund will be calculated as 4.5% times the five-year moving-average value of the Fund as of June 30. The annual distribution may not exceed 7% of the average net fair market value of the investment assets.⁷ If the purchasing power of Fund investments for any 10-year period is not preserved, the Comptroller may not increase annual distributions to the available earnings of the Fund until the purchasing power of Fund investments is restored.⁸



⁷ See TEX. GOV'T CODE ANN. §403.1068(e).

⁸ See id. §403.1068(d).

PERMANENT HOSPITAL FUND FOR CAPITAL IMPROVEMENTS AND THE TEXAS CENTER FOR INFECTIOUS DISEASE

Description

The Permanent Hospital Fund for Capital Improvements and the Texas Center for Infectious Disease (the “Fund”), a dedicated account in the general revenue fund, is established to provide services at the Texas Center for Infectious Disease and to make grants to public or nonprofit community hospitals through appropriations of “available earnings” to the Texas Department of Health.¹ The Comptroller must manage the Fund assets in accordance with the “prudent investor” standard considering the investment of all the assets.² The Fund assets consist of transfers from the tobacco settlement proceeds, available earnings on those amounts, certain loan payments, and any gifts or grants.³ The “available earnings” of the Fund are “distributions” to the Fund from the total return on all assets.⁴ The Comptroller must determine the amount of the distribution so as to provide a stable and predictable stream of annual distributions and to maintain the Fund’s purchasing power.⁵

Enabling Legislation

Section 403.1066 of the Government Code establishes the Fund and section 403.1068 sets out the investment and earnings criteria applicable to the Fund. House Bill 1676 in 1999 enacted these provisions.

Appropriations & Transfers

House Bill 1676 directed the Comptroller to transfer \$25 million from the tobacco proceeds in the general revenue fund to the Fund.⁶

Investment Objective

The investment objective of the Fund is to earn a long-term annual rate of return of 8.0% to:

- o provide a predictable, stable stream of distributions
- o ensure that the inflation-adjusted value of distributions is maintained over the long-term
- o ensure that the inflation-adjusted value of the corpus after distributions is maintained over the long-term



¹ See TEX. GOV'T CODE ANN. § 403.1066(a), (c).

² See id. § 403.1068(b).

³ See id. § 403.1066(a).

⁴ See id. § 403.1068(c).

⁵ See id. § 403.1068(d).

⁶ See Act of May 29, 1999, 76th Leg., R.S., ch. 1391, § 3, 1999 Tex. Gen. Laws 4710, 4715.

Distribution Policy

Annual distributions, payable quarterly, from the Fund will be calculated as 4.5% times the five-year moving-average value of the Fund as of June 30. The annual distribution may not exceed 7% of the average net fair market value of the investment assets.⁷ If the purchasing power of Fund investments for any 10-year period is not preserved, the Comptroller may not increase annual distributions to the available earnings of the Fund until the purchasing power of Fund investments is restored.⁸



⁷ See TEX. GOV'T CODE ANN. §403.1068(e) (Vernon Supp. 2004).

⁸ See id. §403.1068(d).

PERMANENT HEALTH FUND FOR HIGHER EDUCATION NURSING, ALLIED HEALTH, AND OTHER HEALTH-RELATED PROGRAMS

Description

The Permanent Health Fund for Higher Education Nursing, Allied Health and Other Health-Related Programs (the “Fund”) is a special fund in the treasury, but outside the general revenue fund, established to fund (through distributions to the Texas Higher Education Coordinating Board which in turn makes grants) nursing, allied health, or other health-related education at public institutions of higher education.¹ The Fund consists of legislative transfers, investment returns, and any grants and gifts.² The Comptroller may contract for administration of the Fund with any governing board of an institution entitled to receive grants from the distributions.³ The Fund must be invested to preserve the purchasing power of the Fund assets and annual distributions.⁴

Enabling Legislation

Sections 63.201 and 63.202 of the Education Code provide for the Fund, its investment, and distribution. House Bill 1945 in 1999 enacted these provisions.⁵

Appropriations & Transfers

House Bill 1945 directed the Comptroller to transfer \$45 million from the general revenue fund to the Fund.

Investment Objective

The investment objective of the Fund is to earn a long-term annual rate of return of 8.0% to:

- o provide a predictable, stable stream of distributions
- o ensure that the inflation-adjusted value of distributions is maintained over the long-term
- o ensure that the inflation-adjusted value of the corpus after distributions is maintained over the long-term

Distribution Policy

Annual distributions, payable quarterly, from the Fund will be calculated as 4.5% times the five-year moving-average value of the Fund as of June 30.



¹ See TEX. EDUC. CODE ANN. §§ 63.201(a), .202.

² See id. § 63.201(b).

³ See id. § 63.202(a).

⁴ See id. § 63.202 (a).

⁵ See Act of May 29, 1999, 76th Leg., R.S., ch. 1402, § 3, 1999 Tex. Gen. Laws 4731, 4737.

PERMANENT FUND FOR MINORITY HEALTH RESEARCH AND EDUCATION

Description

The Permanent Fund for Minority Health Research and Education (the “Fund”) is a special fund in the treasury, but outside the general revenue fund, established to fund (through distributions to the Texas Higher Education Coordinating Board which in turn makes grants) research or educational programs relating to minority health at public institutions of higher education.¹ The Fund consists of legislative transfers, investment returns, and any grants and gifts.² The Comptroller may contract for administration of the Fund with any governing board of an institution entitled to receive grants from the distributions.³ The Fund must be invested to preserve the purchasing power of the Fund assets and annual distributions.⁴

Enabling Legislation

Sections 63.301 and 63.302 of the Education Code provide for the Fund, its investment, and distribution. House Bill 1945 in 1999 enacted these provisions.

Appropriations & Transfers

House Bill 1945 directed the Comptroller to transfer \$25 million from the general revenue fund to this Fund.⁵

Investment Objective

The investment objective of the Fund is to earn a long-term annual rate of return of 8.0% to:

- o provide a predictable, stable stream of distributions
- o ensure that the inflation-adjusted value of distributions is maintained over the long-term
- o ensure that the inflation-adjusted value of the corpus after distributions is maintained over the long-term

Distribution Policy

Annual distributions, payable quarterly, from the Fund will be calculated as 4.5% times the five-year moving-average value of the Fund as of June 30.



¹ See TEX. EDUC. CODE ANN. §§ 63.301(a), .302(c).

² See id. § 63.301(b).

³ See id. § 63.302(a).

⁴ See id. § 63.302(a).

⁵ See Act of May 29, 1999, 76th Leg., R.S., ch. 1402, § 3, 1999 Tex. Gen. Laws 4731, 4737.

PERMANENT ENDOWMENT FUND FOR THE RURAL COMMUNITIES HEALTH CARE INVESTMENT PROGRAM

Description

The Permanent Endowment Fund for the Rural Communities Health Care Investment Program (the “Fund”) is a special fund in the treasury, but outside the general revenue fund, established to provide loan reimbursements and stipends to health professional who practice in underserved communities (through distributions to the Office of Rural Affairs).¹ The Fund consists of legislative transfers, investment returns, loan, and stipends recovered from “defaulting” health professionals, and any grants and gifts.² Because the Office of Rural Communities Affairs has elected not to administer, the Fund is administered by the Comptroller.³ The Fund must be invested to preserve the purchasing power of the Fund’s assets and annual distributions and in accordance with the “prudent investor” standard.⁴

Enabling Legislation

Sections 487.558 and 487.559 of the Government Code provide for the Fund, its investment, and distribution. Senate Bill 126 in 2001 enacted these provisions.

Appropriations & Transfers

This trust was funded with \$2,500,000 of the tobacco settlement proceeds received by the state.⁵

Investment Objective

The investment objective of the Fund is to earn a long-term annual rate of return of 8.0% to:

- o provide a predictable, stable stream of distributions
- o ensure that the inflation-adjusted value of distributions is maintained over the long-term
- o ensure that the inflation-adjusted value of the corpus after distributions is maintained over the long-term

Distribution Policy

Annual distributions, payable quarterly, from the Fund will be calculated as 4.5% times the five-year moving-average value of the Fund as of June 30.



¹ See TEX. GOV'T CODE ANN. §§ 487.553, .558, .559 (f).

² See id. § 487.558 (b).

³ See id. § 487.559(a).

⁴ See id. § 487.559(b).

⁵ See 2001 General Appropriations Act, 77th Leg., R.S., S.B. 1, art. IX, § 10.62, at IX-99.

NATIONAL RESEARCH UNIVERSITY FUND

Description

The National Research University Fund (the “NRUF”) is a fund held by the Comptroller of Public Accounts outside the state treasury. It is established to provide a dedicated, independent and equitable source of funding to enable emerging research universities in this State to achieve national prominence as major research universities. The Higher Education Coordinating Board is tasked with developing rules for determining the eligibility of institutions to receive money from the NRUF and certifying in each even-numbered year which institutions have satisfied those standards.¹ The NRUF was funded through the transfer of funds from the Higher Education Fund, which the legislature repealed in 2009.² The University of Texas at Austin and Texas A&M University are ineligible to receive money from the NRUF.³

The Comptroller is directed to administer and invest the NRUF, which consists of the deposits of annual appropriations, interest, dividends, and other investment income.⁴ The Comptroller is granted the investment authority provided by the Texas Constitution, article VII, section 20, which references the standards provided for investment of the permanent university fund set forth in article VII, sections 11a and 11b of the Texas Constitution.⁵ The Comptroller must invest the NRUF in accordance with the prudent investor standard.⁶

Enabling Legislation

Article VII, section 20 of the Texas Constitution and chapter 62, Subchapter G of the Texas Education Code provide for the creation and administration of the NRUF.

Transfers & Deposits

The NRUF was funded by transfer of approximately \$547 million from the Higher Education Fund.⁷



¹ See generally TEX. CONST. art. VII, § 20; TEX. EDUC. CODE ANN. §§ 62.141-149.

² Acts 2009, 81st Leg. R.S., HB 51, §16, upon adoption of the constitutional amendment proposed by Acts 2009, 81st Leg., R.S., H.J.R. No. 14, at November 3, 2009 election.

³ See TEX. EDUC. CODE ANN. § 62.147.

⁴ See TEX. EDUC. CODE ANN. §§ 62.143-144.

⁵ See Article VII, section 20 and article VII, sections 11a and 11b of the Texas Constitution authorizing investment of PUF moneys in accordance with the “prudent investor” standard.

⁶ See id.

⁷ See Acts 2009, 81st Leg. R.S., HB 51, §21(c), upon adoption of the constitutional amendment proposed by Acts 2009, 81st Leg., R.S., H.J.R. No. 14, at November 3, 2009 election.

Investment Objectives

The investment objective of the Fund is to earn a long-term annual rate of return of 8.0% to:

- o provide a predictable, stable stream of distributions
- o ensure that the inflation-adjusted value of distributions is maintained over the long-term
- o ensure that the inflation-adjusted value of the corpus after distributions is maintained over the long-term

Distribution Policy

Distribution policy to be determined by the Legislature. Under the Texas Constitution, article 7, §20(f) (relating to distribution restrictions), the annual appropriation from the Fund may not exceed 7% of the average net fair market value of the investment assets.



TEXAS PRESERVATION TRUST FUND ACCOUNT

Description

This trust account (the “Preservation Fund”) is a separate account outside the general revenues that consists of transfers made to the account, loan repayments, grants and donations, proceeds of sales and earnings on the account. The purpose of the Preservation Fund is to provide financial assistance to public or private entities for the acquisition, survey, restoration, or preservation of historic property located in this state.¹

Enabling Legislation

Section 442.015 of the Government Code established the Preservation Fund that was created in 1989 by the Legislature in Senate Bill 294. This provision was amended in 2007 by the 80th Legislature in House Bill 12, which allowed for this fund to be managed and invested like the other endowments that are managed by the Comptroller, i.e. in accordance with the prudent investor standard.²

Investment Objective

The investment objective of the Fund is to earn a long-term annual rate of return of 8.0% to:

- o provide a predictable, stable stream of distributions
- o ensure that the inflation-adjusted value of distributions is maintained over the long-term
- o ensure that the inflation-adjusted value of the corpus after distributions is maintained over the long-term

Distribution Policy

Annual distributions from the Fund will be calculated as 4.5% times the five-year moving-average value of the Fund as of June 30, except to the extent less is requested by the Historical Commission.



¹ See TEX. GOV'T CODE ANN. § 442.015(a).

² See id. § 442.015(h).

PERMANENT FUND SUPPORTING MILITARY & VETERANS EXEMPTIONS

Description

This trust fund was established by the 83rd Legislature, Senate Bill 1158, in order to better serve veterans throughout the state in regard to meeting their educational needs. Money in the fund can only be used to offset the cost to higher education institutions of the veterans tuition exemption program overseen by the Texas Veterans Commission. The Trust Company is required to administer the fund, and to manage it in accordance with the prudent investor standard. ¹

Enabling Legislation

Texas Education Code, Section 54.3411 established the fund as a special fund in the treasury outside of the general revenue fund. ²

Appropriations and Transfers

While no money was appropriated for this fund by the 83rd Legislature, the fund received a gift of \$248 million from the Texas Guaranteed Student Loan Corporation in September 2013.

Investment Objective

The investment objective of the fund is to earn a long-term annual rate of return of 8.0% to:

- o provide a predictable, stable stream of distributions
- o ensure that the inflation-adjusted value of distributions is maintained over the long-term
- o ensure that the inflation-adjusted value of the corpus after distributions is maintained over the long-term.

Distribution Policy

The amount available for distribution from the fund may be appropriated only to offset the cost to institutions of higher education of the tuition exemptions required by Section 54.341(k) of the Education Code. The amount appropriated shall be distributed to eligible institutions in proportion to each institution's respective share of the aggregate cost to all institutions of the tuition exemptions, as determined by the Legislative Budget Board. The amount appropriated shall be distributed annually to each eligible institution of higher education.



¹ See TEXAS EDUC. CODE ANN. §54.3411(c) and (d).

² See id. §54.3411(b).

TEXAS FINANCIAL EDUCATION ENDOWMENT

Description

This trust fund is administered by the Finance Commission and comprised of annual assessments collected by the Office of Consumer Credit Commissioner to improve consumer credit, financial education, and asset-building opportunities in this state. The assessments are required to be deposited with the Trust Company. The fund may be invested in the same manner as funds of the Employees Retirement System of Texas.¹

Enabling Legislation

Texas Finance Code, Section 393.628 established this endowment and its investment parameters.

Appropriations and Transfers

Texas Finance Code, Section 393.628 requires the Office of Consumer Credit Commissioner to remit to the Trust Company for investment in the fund certain annual assessments received from credit access businesses or license holders.

Investment Objective

The investment objective of the fund is to earn a long-term annual rate of return of 8.0% to:

- o provide a predictable, stable stream of distributions
- o ensure that the inflation-adjusted value of distributions is maintained over the long-term
- o ensure that the inflation-adjusted value of the corpus after distributions is maintained over the long-term.

Distribution Policy

To be determined in coordination with the Office of Consumer Credit Commissioner.



¹ See TEXAS FINANCE CODE §393.628(b)