

1 AN ACT

2 relating to state contracts with and investments in certain
3 companies that boycott energy companies.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

5 SECTION 1. Subtitle A, Title 8, Government Code, is amended
6 by adding Chapter 809 to read as follows:

7 CHAPTER 809. PROHIBITION ON INVESTMENT IN FINANCIAL COMPANIES THAT
8 BOYCOTT CERTAIN ENERGY COMPANIES

9 SUBCHAPTER A. GENERAL PROVISIONS

10 Sec. 809.001. DEFINITIONS. In this chapter:

11 (1) "Boycott energy company" means, without an
12 ordinary business purpose, refusing to deal with, terminating
13 business activities with, or otherwise taking any action that is
14 intended to penalize, inflict economic harm on, or limit commercial
15 relations with a company because the company:

16 (A) engages in the exploration, production,
17 utilization, transportation, sale, or manufacturing of fossil
18 fuel-based energy and does not commit or pledge to meet
19 environmental standards beyond applicable federal and state law; or

20 (B) does business with a company described by
21 Paragraph (A).

22 (2) "Company" means a for-profit sole proprietorship,
23 organization, association, corporation, partnership, joint
24 venture, limited partnership, limited liability partnership, or

1 limited liability company, including a wholly owned subsidiary,
2 majority-owned subsidiary, parent company, or affiliate of those
3 entities or business associations, that exists to make a profit.

4 (3) "Direct holdings" means, with respect to a
5 financial company, all securities of that financial company held
6 directly by a state governmental entity in an account or fund in
7 which a state governmental entity owns all shares or interests.

8 (4) "Financial company" means a publicly traded
9 financial services, banking, or investment company.

10 (5) "Indirect holdings" means, with respect to a
11 financial company, all securities of that financial company held in
12 an account or fund, such as a mutual fund, managed by one or more
13 persons not employed by a state governmental entity, in which the
14 state governmental entity owns shares or interests together with
15 other investors not subject to the provisions of this chapter. The
16 term does not include money invested under a plan described by
17 Section 401(k) or 457 of the Internal Revenue Code of 1986.

18 (6) "Listed financial company" means a financial
19 company listed by the comptroller under Section 809.051.

20 (7) "State governmental entity" means:

21 (A) the Employees Retirement System of Texas,
22 including a retirement system administered by that system;

23 (B) the Teacher Retirement System of Texas;

24 (C) the Texas Municipal Retirement System;

25 (D) the Texas County and District Retirement
26 System;

27 (E) the Texas Emergency Services Retirement

1 System; and

2 (F) the permanent school fund.

3 Sec. 809.002. OTHER LEGAL OBLIGATIONS. With respect to
4 actions taken in compliance with this chapter, including all good
5 faith determinations regarding financial companies as required by
6 this chapter, a state governmental entity and the comptroller are
7 exempt from any conflicting statutory or common law obligations,
8 including any obligations with respect to making investments,
9 divesting from any investment, preparing or maintaining any list of
10 financial companies, or choosing asset managers, investment funds,
11 or investments for the state governmental entity's securities
12 portfolios.

13 Sec. 809.003. INDEMNIFICATION OF STATE GOVERNMENTAL
14 ENTITIES, EMPLOYEES, AND OTHERS. In a cause of action based on an
15 action, inaction, decision, divestment, investment, financial
16 company communication, report, or other determination made or taken
17 in connection with this chapter, the state shall, without regard to
18 whether the person performed services for compensation, indemnify
19 and hold harmless for actual damages, court costs, and attorney's
20 fees adjudged against, and defend:

21 (1) an employee, a member of the governing body, or any
22 other officer of a state governmental entity;

23 (2) a contractor of a state governmental entity;

24 (3) a former employee, a former member of the
25 governing body, or any other former officer of a state governmental
26 entity who was an employee, member of the governing body, or other
27 officer when the act or omission on which the damages are based

1 occurred;

2 (4) a former contractor of a state governmental entity
3 who was a contractor when the act or omission on which the damages
4 are based occurred; and

5 (5) a state governmental entity.

6 Sec. 809.004. NO PRIVATE CAUSE OF ACTION. (a) A person,
7 including a member, retiree, or beneficiary of a retirement system
8 to which this chapter applies, an association, a research firm, a
9 financial company, or any other person may not sue or pursue a
10 private cause of action against the state, a state governmental
11 entity, a current or former employee, a member of the governing
12 body, or any other officer of a state governmental entity, or a
13 contractor of a state governmental entity, for any claim or cause of
14 action, including breach of fiduciary duty, or for violation of any
15 constitutional, statutory, or regulatory requirement in connection
16 with any action, inaction, decision, divestment, investment,
17 financial company communication, report, or other determination
18 made or taken in connection with this chapter.

19 (b) A person who files suit against the state, a state
20 governmental entity, an employee, a member of the governing body,
21 or any other officer of a state governmental entity, or a contractor
22 of a state governmental entity, is liable for paying the costs and
23 attorney's fees of a person sued in violation of this section.

24 Sec. 809.005. INAPPLICABILITY OF REQUIREMENTS INCONSISTENT
25 WITH FIDUCIARY RESPONSIBILITIES AND RELATED DUTIES. A state
26 governmental entity is not subject to a requirement of this chapter
27 if the state governmental entity determines that the requirement

1 would be inconsistent with its fiduciary responsibility with
2 respect to the investment of entity assets or other duties imposed
3 by law relating to the investment of entity assets, including the
4 duty of care established under Section 67, Article XVI, Texas
5 Constitution.

6 Sec. 809.006. RELIANCE ON FINANCIAL COMPANY RESPONSE. The
7 comptroller and a state governmental entity may rely on a financial
8 company's response to a notice or communication made under this
9 chapter without conducting any further investigation, research, or
10 inquiry.

11 SUBCHAPTER B. DUTIES REGARDING INVESTMENTS

12 Sec. 809.051. LISTED FINANCIAL COMPANIES. (a) The
13 comptroller shall prepare and maintain, and provide to each state
14 governmental entity, a list of all financial companies that boycott
15 energy companies. In maintaining the list, the comptroller may:

16 (1) review and rely, as appropriate in the
17 comptroller's judgment, on publicly available information
18 regarding financial companies, including information provided by
19 the state, nonprofit organizations, research firms, international
20 organizations, and governmental entities; and

21 (2) request written verification from a financial
22 company that it does not boycott energy companies and rely, as
23 appropriate in the comptroller's judgment and without conducting
24 further investigation, research, or inquiry, on a financial
25 company's written response to the request.

26 (b) A financial company that fails to provide to the
27 comptroller a written verification under Subsection (a)(2) before

1 the 61st day after receiving the request from the comptroller is
2 presumed to be boycotting energy companies.

3 (c) The comptroller shall update the list annually or more
4 often as the comptroller considers necessary, but not more often
5 than quarterly, based on information from, among other sources,
6 those listed in Subsection (a).

7 (d) Not later than the 30th day after the date the list of
8 financial companies that boycott energy companies is first provided
9 or updated, the comptroller shall file the list with the presiding
10 officer of each house of the legislature and the attorney general
11 and post the list on a publicly available Internet website.

12 Sec. 809.052. IDENTIFICATION OF INVESTMENT IN LISTED
13 FINANCIAL COMPANIES. Not later than the 30th day after the date a
14 state governmental entity receives the list provided under Section
15 809.051, the state governmental entity shall notify the comptroller
16 of the listed financial companies in which the state governmental
17 entity owns direct holdings or indirect holdings.

18 Sec. 809.053. ACTIONS RELATING TO LISTED FINANCIAL COMPANY.

19 (a) For each listed financial company identified under Section
20 809.052, the state governmental entity shall send a written notice:

21 (1) informing the financial company of its status as a
22 listed financial company;

23 (2) warning the financial company that it may become
24 subject to divestment by state governmental entities after the
25 expiration of the period described by Subsection (b); and

26 (3) offering the financial company the opportunity to
27 clarify its activities related to companies described by Sections

1 809.001(1)(A) and (B).

2 (b) Not later than the 90th day after the date the financial
3 company receives notice under Subsection (a), the financial company
4 must cease boycotting energy companies in order to avoid qualifying
5 for divestment by state governmental entities.

6 (c) If, during the time provided by Subsection (b), the
7 financial company ceases boycotting energy companies, the
8 comptroller shall remove the financial company from the list
9 maintained under Section 809.051 and this chapter will no longer
10 apply to the financial company unless it resumes boycotting energy
11 companies.

12 (d) If, after the time provided by Subsection (b) expires,
13 the financial company continues to boycott energy companies, the
14 state governmental entity shall sell, redeem, divest, or withdraw
15 all publicly traded securities of the financial company, except
16 securities described by Section 809.055, according to the schedule
17 provided by Section 809.054.

18 Sec. 809.054. DIVESTMENT OF ASSETS. (a) A state
19 governmental entity required to sell, redeem, divest, or withdraw
20 all publicly traded securities of a listed financial company shall
21 comply with the following schedule:

22 (1) at least 50 percent of those assets must be removed
23 from the state governmental entity's assets under management not
24 later than the 180th day after the date the financial company
25 receives notice under Section 809.053 or Subsection (b) unless the
26 state governmental entity determines, based on a good faith
27 exercise of its fiduciary discretion and subject to Subdivision

1 (2), that a later date is more prudent; and

2 (2) 100 percent of those assets must be removed from
3 the state governmental entity's assets under management not later
4 than the 360th day after the date the financial company receives
5 notice under Section 809.053 or Subsection (b).

6 (b) If a financial company that ceased boycotting energy
7 companies after receiving notice under Section 809.053 resumes its
8 boycott, the state governmental entity shall send a written notice
9 to the financial company informing it that the state governmental
10 entity will sell, redeem, divest, or withdraw all publicly traded
11 securities of the financial company according to the schedule in
12 Subsection (a).

13 (c) Except as provided by Subsection (a), a state
14 governmental entity may delay the schedule for divestment under
15 that subsection only to the extent that the state governmental
16 entity determines, in the state governmental entity's good faith
17 judgment, and consistent with the entity's fiduciary duty, that
18 divestment from listed financial companies will likely result in a
19 loss in value or a benchmark deviation described by Section
20 809.056(a). If a state governmental entity delays the schedule for
21 divestment, the state governmental entity shall submit a report to
22 the presiding officer of each house of the legislature and the
23 attorney general stating the reasons and justification for the
24 state governmental entity's delay in divestment from listed
25 financial companies. The report must include documentation
26 supporting its determination that the divestment would result in a
27 loss in value or a benchmark deviation described by Section

1 809.056(a), including objective numerical estimates. The state
2 governmental entity shall update the report every six months.

3 Sec. 809.055. INVESTMENTS EXEMPTED FROM DIVESTMENT. A
4 state governmental entity is not required to divest from any
5 indirect holdings in actively or passively managed investment funds
6 or private equity funds. The state governmental entity shall
7 submit letters to the managers of each investment fund containing
8 listed financial companies requesting that they remove those
9 financial companies from the fund or create a similar actively or
10 passively managed fund with indirect holdings devoid of listed
11 financial companies. If a manager creates a similar fund with
12 substantially the same management fees and same level of investment
13 risk and anticipated return, the state governmental entity may
14 replace all applicable investments with investments in the similar
15 fund in a time frame consistent with prudent fiduciary standards
16 but not later than the 450th day after the date the fund is created.

17 Sec. 809.056. AUTHORIZED INVESTMENT IN LISTED FINANCIAL
18 COMPANIES. (a) A state governmental entity may cease divesting
19 from one or more listed financial companies only if clear and
20 convincing evidence shows that:

21 (1) the state governmental entity has suffered or will
22 suffer a loss in the hypothetical value of all assets under
23 management by the state governmental entity as a result of having to
24 divest from listed financial companies under this chapter; or

25 (2) an individual portfolio that uses a
26 benchmark-aware strategy would be subject to an aggregate expected
27 deviation from its benchmark as a result of having to divest from

1 listed financial companies under this chapter.

2 (b) A state governmental entity may cease divesting from a
3 listed financial company as provided by this section only to the
4 extent necessary to ensure that the state governmental entity does
5 not suffer a loss in value or deviate from its benchmark as
6 described by Subsection (a).

7 (c) Before a state governmental entity may cease divesting
8 from a listed financial company under this section, the state
9 governmental entity must provide a written report to the
10 comptroller, the presiding officer of each house of the
11 legislature, and the attorney general setting forth the reason and
12 justification, supported by clear and convincing evidence, for
13 deciding to cease divestment or to remain invested in a listed
14 financial company.

15 (d) The state governmental entity shall update the report
16 required by Subsection (c) semiannually, as applicable.

17 (e) This section does not apply to reinvestment in a
18 financial company that is no longer a listed financial company.

19 Sec. 809.057. PROHIBITED INVESTMENTS. Except as provided
20 by Section 809.056, a state governmental entity may not acquire
21 securities of a listed financial company.

22 SUBCHAPTER C. REPORT; ENFORCEMENT

23 Sec. 809.101. REPORT. Not later than January 5 of each
24 year, each state governmental entity shall file a publicly
25 available report with the presiding officer of each house of the
26 legislature and the attorney general that:

27 (1) identifies all securities sold, redeemed,

1 divested, or withdrawn in compliance with Section 809.054;
2 (2) identifies all prohibited investments under
3 Section 809.057; and
4 (3) summarizes any changes made under Section 809.055.
5 Sec. 809.102. ENFORCEMENT. The attorney general may bring
6 any action necessary to enforce this chapter.

7 SECTION 2. Subtitle F, Title 10, Government Code, is
8 amended by adding Chapter 2274 to read as follows:

9 CHAPTER 2274. PROHIBITION ON CONTRACTS WITH COMPANIES BOYCOTTING
10 CERTAIN ENERGY COMPANIES

11 Sec. 2274.001. DEFINITIONS. In this chapter:

12 (1) "Boycott energy company" has the meaning assigned
13 by Section 809.001.

14 (2) "Company" has the meaning assigned by Section
15 809.001, except that the term does not include a sole
16 proprietorship.

17 (3) "Governmental entity" has the meaning assigned by
18 Section 2251.001.

19 Sec. 2274.002. PROVISION REQUIRED IN CONTRACT. (a) This
20 section applies only to a contract that:

21 (1) is between a governmental entity and a company
22 with 10 or more full-time employees; and

23 (2) has a value of \$100,000 or more that is to be paid
24 wholly or partly from public funds of the governmental entity.

25 (b) Except as provided by Subsection (c), a governmental
26 entity may not enter into a contract with a company for goods or
27 services unless the contract contains a written verification from

1 the company that it:

2 (1) does not boycott energy companies; and

3 (2) will not boycott energy companies during the term
4 of the contract.

5 (c) Subsection (b) does not apply to a governmental entity
6 that determines the requirements of Subsection (b) are inconsistent
7 with the governmental entity's constitutional or statutory duties
8 related to the issuance, incurrence, or management of debt
9 obligations or the deposit, custody, management, borrowing, or
10 investment of funds.

11 SECTION 3. Chapter 2274, Government Code, as added by this
12 Act, applies only to a contract entered into on or after the
13 effective date of this Act. A contract entered into before that
14 date is governed by the law in effect on the date the contract was
15 entered into, and the former law is continued in effect for that
16 purpose.

17 SECTION 4. This Act takes effect September 1, 2021.

President of the Senate

Speaker of the House

I hereby certify that S.B. No. 13 passed the Senate on April 15, 2021, by the following vote: Yeas 26, Nays 4; May 12, 2021, Senate refused to concur in House amendments and requested appointment of Conference Committee; May 14, 2021, House granted request of the Senate; May 28, 2021, Senate adopted Conference Committee Report by the following vote: Yeas 28, Nays 3.

Secretary of the Senate

I hereby certify that S.B. No. 13 passed the House, with amendments, on May 4, 2021, by the following vote: Yeas 105, Nays 40, two present not voting; May 14, 2021, House granted request of the Senate for appointment of Conference Committee; May 28, 2021, House adopted Conference Committee Report by the following vote: Yeas 121, Nays 26, one present not voting.

Chief Clerk of the House

Approved:

Date

Governor