

BILL ANALYSIS

Senate Research Center

S.B. 1646
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Finance
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AUTHOR'S/SPONSOR'S STATEMENT OF INTENT

The Texas Legislature has charged the School Land Board (board) and the commissioner of the Texas General Land Office (GLO) with the duty and authority to manage the state-owned real property dedicated to the Permanent School Fund under Article VII, Sections 4 and 5, Texas Constitution. The portfolio contains millions of acres of land, including ranching and grazing properties in West Texas, timber lands in East Texas, urban properties in a variety of locales, the Gulf Coast beaches and bays, and the "submerged" lands extending 10.3 miles out from the shoreline. The board and GLO lease state land for a variety of purposes, including oil and gas production, commercial development, and sustainable energy development.

The board lacks clear authority to expend funds to make improvements to Permanent School Fund real property assets or to otherwise enhance the value thereof. S.B. 1646 grants the board the authority it needs to operate as a modern real estate fund.

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 32.254, Natural Resources Code, as follows:

Sec. 32.254. New heading: LAND TO BE TRADED FOR LAND OF EQUIVALENT VALUE. Authorizes a trade of land dedicated to the permanent school fund to be made only on an equivalent market value, rather than an appraised value, basis. Deletes existing text relating to the appraisal.

SECTION 2. Amends Section 51.001(11), Natural Resources Code, to redefine "market value."

SECTION 3. Amends the heading to Subchapter B, Chapter 51, Natural Resources Code, to read as follows:

SUBCHAPTER B. PROVISIONS GENERALLY APPLICABLE TO THE MANAGEMENT OF PUBLIC SCHOOL AND ASYLUM LAND

SECTION 4. Amends the heading to Section 51.011, Natural Resources Code, to read as follows:

Sec. 51.011. MANAGEMENT OF PUBLIC SCHOOL LAND.

SECTION 5. Amends Section 51.011, Natural Resources Code, by amending Subsection (a) and adding Subsection (a-1), as follows:

(a) Requires any land that is set apart to the permanent school fund under the constitution and laws of this state together with the mineral estate in riverbeds, channels, and the tidelands, including islands, to be subject to the sole and exclusive management and control of, rather than be controlled, sold, and leased by, the school land board (board) and the commissioner of the General Land Office (commissioner) under the provisions of this chapter.

(a-1) Authorizes the board to acquire, sell, lease, improve, or otherwise manage, control, or use land that is set apart to the permanent school fund in any manner, at such prices, and under such terms and conditions as the board finds to be in the best interest of the fund.

SECTION 6. Amends Section 51.051, Natural Resources Code, to require all sales of land, rather than all sales of land, subject to the provisions of Section 32.109 of this code, to be made by or under the direction of the board, rather than to the applicant who submits the highest bid for the land that meets a minimum price set by the board.

SECTION 7. Amends Sections 51.052(d) and (i), Natural Resources Code, to delete existing text relating to appraising and selling land at its market value and to authorize the asset management division of the General Land Office, if the transaction involves commercial real estate and the board determines that it is in the best interest of the permanent school fund, to solicit proposals or negotiate a sale, exchange, or lease of the land to any person.

SECTION 8. Amends Sections 51.401(a) and (c), Natural Resources Code, as follows:

(a) Deletes existing text relating to future active leases and specifying for what the board may use certain funds. Makes nonsubstantive changes.

(c) Requires money received from the sale of a particular piece of land under this subchapter to be used by the board as provided by this subchapter within a specified time. Deletes existing text relating to money designated for the acquisition of interests in real property and makes conforming changes.

SECTION 9. Amends Section 51.402, Natural Resources Code, as follows:

Sec. 51.402. New heading: **USE OF DESIGNATED FUNDS.** Deletes existing text authorizing the board to use the money designated under Section 51.401 of this subchapter to acquire real property and to pay the expenses of acquisitions and sales. Amends the purposes for which the board may use the money designated under Section 51.401. Requires the board, before using funds, rather than acquiring real property, under Subsection (a), to determine, using the prudent investor standard, that the use of the funds for the intended purpose is in the best interest of the permanent school fund. Makes conforming and nonsubstantive changes.

SECTION 10. Amends Subchapter I, Chapter 51, Natural Resources Code, by adding Section 51.4021, as follows:

Sec. 51.4021. **APPOINTMENT OF SPECIAL FUND MANAGERS.** Authorizes the board to appoint investment managers to invest the money designated under Section 51.401 by contracting for professional investment management services with one or more organizations that are in the business of managing real estate investments. Sets forth eligibility requirements for appointment as an investment manager under this section. Requires the board, in a contract under this section, to specify any policies, requirements, or restrictions, including criteria for determining the quality of investments and for the use of standard rating services, that the board adopts for real estate investments of the permanent school fund.

SECTION 11. Repealer: Sections 51.052(e) and (f) (Conditions for Sale of Land) and 51.403 (Market Value), Natural Resources Code.

SECTION 12. Effective date: upon passage or September 1, 2005.