

BILL ANALYSIS

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S.B. 608
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

S.B. 608 is the Sunset bill for the School Land Board (SLB), which oversees more than 13 million acres in Permanent School Fund land and shares management of the \$46 billion Permanent School Fund with the State Board of Education (SBOE).

The Sunset Advisory Commission determined the SLB needs to improve coordination with the SBOE given the dual management of the Permanent School Fund. To meet that end, the legislation includes a joint annual meeting of the SLB and SBOE to discuss the management of the endowment. The legislation also expands the SLB from three members to five and requires the attorney general and governor to each appoint an additional board member from lists of nominees provided by the SBOE.

Since 2001, SLB's investment authority has been greatly expanded beyond land and minerals to include investments in real estate, energy, and public infrastructure. To improve transparency and oversight of those investments, S.B. 608 clarifies that the current statutory 15 percent cap on real estate investments includes the SLB's substantial cash holdings. It also mandates training for board members on the SLB's investment programs as well as a comprehensive overview of the Permanent School Fund.

As proposed, S.B. 608 amends current law relating to the continuation and functions of the School Land Board.

RULEMAKING AUTHORITY

Rulemaking authority previously granted to the School Land Board is modified in SECTION 10 (Section 51.413, Natural Resources Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 32.003, Natural Resources Code, to provide that the School Land Board (SLB) is abolished September 1, 2031, rather than September 1, 2019, unless continued in existence as provided by Chapter 325 (Sunset Law).

SECTION 2. Amends Section 32.012, Natural Resources Code, as follows:

Sec. 32.012. MEMBERS OF THE BOARD. (a) Provides that SLB is composed of:

- (1) makes no changes to this subdivision;
- (2) two citizens of the state, rather than a citizen of the state, appointed by the governor with the advice and consent of the senate; and
- (3) two citizens of the state, rather than a citizen of the state, appointed by the attorney general with the advice and consent of the senate.

(a-1) Requires one citizen appointed by the governor and one citizen appointed by the Texas attorney general (attorney general) to be selected from lists of nominees submitted by the State Board of Education (SBOE). Requires SBOE to submit to

the governor or the attorney general, as applicable, a list of six nominees for a vacant position described by this subsection. Authorizes the governor or attorney general, as applicable, to request that SBOE submit a second list of six nominees if the governor or attorney general does not choose to appoint a nominee from the first list.

(b) Makes a conforming change to this subsection.

(c) Makes no changes to this subsection.

SECTION 3. Amends Subchapter B, Chapter 32, Natural Resources Code, by adding Section 32.0161, as follows:

Sec. 32.0161. ANNUAL JOINT MEETING. Requires SLB and SBOE to hold an annual joint public meeting to discuss the allocation of the assets of the permanent school fund and the investment of the money in the fund.

SECTION 4. Amends Subchapter B, Chapter 32, Natural Resources Code, by adding Section 32.0191, as follows:

Sec. 32.0191. SEPARATION OF RESPONSIBILITIES. Requires SLB to develop and implement policies that clearly separate the policymaking responsibilities of SLB and the management responsibilities of the commissioner of the General Land Office (commissioner; GLO) and the staff of GLO.

SECTION 5. Amends Subchapter B, Chapter 32, Natural Resources Code, by adding Section 32.027, as follows:

Sec. 32.027. MEMBER TRAINING. (a) Prohibits a person who is appointed to and qualifies for office as a member of SLB from voting, deliberating, or being counted as a member in attendance at a meeting of SLB until the person completes a training program that complies with this section.

(b) Requires the training program to provide the person with certain information.

(c) Entitles a person appointed to SLB to reimbursement, as provided by the General Appropriations Act, for the travel expenses incurred in attending the training program regardless of whether the attendance at the program occurs before or after the person qualifies for office.

(d) Requires the commissioner to create a training manual that includes the information required by Subsection (b).

(e) Requires the commissioner to distribute a copy of the training manual annually to each appointed member of SLB. Requires each appointed member of SLB, on receipt of the training manual, to sign and submit to the commissioner a statement acknowledging receipt of the training manual.

SECTION 6. Amends Subchapter B, Chapter 32, Natural Resources Code, by adding Section 32.028, as follows:

Sec. 32.028. COMPLAINTS. (a) Requires SLB to maintain a system to promptly and efficiently act on complaints filed with SLB. Requires SLB to maintain information about parties to the complaint, the subject matter of the complaint, a summary of the results of the review or investigation of the complaint, and its disposition.

(b) Requires SLB to make information available describing its procedures for complaint investigation and resolution.

(c) Requires SLB to periodically notify the complaint parties of the status of the complaint until final disposition.

SECTION 7. Amends Section 51.402(a) and (c), Natural Resources Code, as follows:

(a) Authorizes SLB to use funds, rather than the money, designated under Section 51.401 (Real Estate Special Fund Account) for any of certain enumerated purposes.

(c) Prohibits the sum of any funds designated under Section 51.401 not being used for a purposes listed in Subsection (a) of this section and the market value of the investments in real estate made under this section (Use of Designated Funds), notwithstanding Subsection (a) of this section, on January 1 of each even-numbered year, rather than prohibiting the market value of the investments in real estate, notwithstanding Subsection (a), made under this section on January 1 of each even-numbered year, from exceeding an amount that is equal to 15 percent of the sum of:

- (1) the funds held by SLB and SBOE as part of the permanent school fund; and
- (2) the market value of the assets held by SLB and the SBOE as part of the permanent school fund, rather than the amount that is equal to 15 percent of the market value of the permanent school fund on that date.

SECTION 8. Amends Sections 51.4021(a) and (b), Natural Resources Code, as follows:

(a) Authorizes SLB to appoint investment managers, consultants, or advisors to invest or assist SLB in investing the funds designated under Section 51.401, rather than the money designated under Section 51.401, by certain means.

(b) Prohibits funds designated under Section 51.401, rather than money designated under Section 51.401, from being invested in a real estate investment trust, as defined by Section 200.001 (Definition), Business Organization Code.

SECTION 9. Amends Section 51.412, Natural Resources Code, as follows:

(a) Creates Subsections (b) and (c) from existing text of this subsection.

(b) Deletes existing text of former Subsection (b) relating to requiring SLB, not later than January 1 of each odd-numbered year, to submit a certain report to the legislature.

(c) Requires the report to include the following information:

- (1) the total amount of the funds designated under Section 51.401, rather than money designated under Section 51.401, for deposit in the real estate special fund account of the permanent school fund that SLB intends to invest;
- (2) makes no changes to this subdivision;
- (3) the amount of the funds, rather than the money, SLB expects to distribute to the available school fund or SBOE for investment in the permanent school fund after making the investments; and
- (4)–(6) makes no changes to these subdivisions.

SECTION 10. Amends Section 51.413(b), Natural Resources Code, to require SLB to adopt rules to establish the procedure that will be used by SLB to determine the date a transfer will be made and the amount of the funds that will be transferred, rather than the amount of money that will be transferred, to the available school fund or to SBOE for investment in the permanent school fund from the real estate special fund account as provided by Subsection (a) (relating to authorizing SLB to release certain funds to be deposited in the State Treasury to the credit of certain entities).

SECTION 11. Amends Section 51.4131, Natural Resources Code, to require SLB, not later than September 1 of each even-numbered year, to submit to certain entities a report that, specifically and in detail, states the date a transfer will be made and the amount of the funds, rather than the money, SLB will transfer during the subsequent fiscal biennium from one specific account to another specific account for investment in the permanent school fund.

SECTION 12. Requires the governor and the attorney general, not later than September 1, 2020, to appoint members to SLB in accordance with Section 31.012(a-1), Natural Resources Code, as added by this Act.

SECTION 13. Provides that Section 32.027, Natural Resources Code, as added by this Act, applies to a member of SLB appointed before, on, or after the effective date of this Act. Prohibits a member of SLB from voting, deliberating, or being counted as a member in attendance at a meeting of SLB held on or after December 1, 2019, until the member completes the training.

SECTION 14. Effective date: September 1, 2019.