

**LEGISLATIVE BUDGET BOARD**

**Austin, Texas**

**FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION**

**May 25, 2007**

**TO:** Honorable Tom Craddick, Speaker of the House, House of Representatives

**FROM:** John S. O'Brien, Director, Legislative Budget Board

**IN RE: HB3699** by McCall (Relating to the management of public school land and the investment of the permanent school fund.), **As Passed 2nd House**

**No fiscal implication to the State is anticipated.**

The bill would provide the School Land Board (SLB) additional authority to manage and control land, mineral and royalty interests, real estate investments and other interests that are dedicated to the Permanent School Fund No. 44, along with revenues arising from those sources. The bill would allow the SLB to designate funds received from the lands and interests dedicated to the Permanent School Fund No. 44 for deposit in the special fund account, which is renamed the Real Estate Special Fund Account (RESF) by the bill. The bill also would clarify the potential uses of proceeds of the RESF Account. The bill would allow the SLB to consult with employees or third parties regarding investments and potential investments in the same manner as the board of trustees for the Texas Growth Fund are authorized to have such consultations by Section 551.075 of the Government Code.

The bill would allow the SLB to work with investment consultants and advisors and applies the same policies, requirements, restrictions and ethical standards to investment consultants and advisors as currently apply to investment managers. The bill would delete certain federal registration requirements for managers, consultants and advisors that are inapplicable to real estate investments.

Finally, the bill would permit the SLB to release funds from the RESF to the Available School Fund (ASF) or the Permanent School Fund (PSF), and allow the State Board of Education to transfer funds from the investment portion of the PSF to the RESF.

According to the Texas Constitution, Article VII, Section 5(a), the ASF consists of distributions from the total return on all investment assets of the PSF, authorized taxes, and appropriations made to the ASF by the legislature. Without a related constitutional amendment, a distribution made to the ASF from the RESF under Section 8 of the bill does not appear to qualify as one of the constitutional components of the ASF. Therefore, this fiscal note assumes that the transfer of funds would not occur, and so the bill's passage would not result in a fiscal impact to the PSF or the ASF.

**Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 304 Comptroller of Public Accounts, 305 General Land Office and Veterans' Land Board, 701 Central Education Agency

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