

BILL ANALYSIS

Senate Research Center

S.B. 1240
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Jurisprudence
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Enrolled

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Many charitable organizations, including colleges and universities, hospitals, museums, and others have portfolios of mineral interests. Some of these interests are large, but most are very small. Collectively, however, they account for significant annual revenue used to further educational and charitable missions. The loss of this income over time due to involuntary divestiture through forced partitioning would be devastating, particularly in an era where endowment earnings are down.

S.B. 1240 prohibits the practice of compulsory partition against mineral interests owned or claimed by a charitable trust. This will provide charities with long term certainty that they can rely upon the future of the assets in their endowment portfolios.

S.B. 1240 amends current law relating to the partition of mineral interests of a charitable trust.

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 Subtitle C, Title 9, Property Code, by adding Chapter 124, as follows:

CHAPTER 124. PARTITION OF MINERAL INTERESTS OF CHARITABLE TRUST

Sec. 124.001. DEFINITIONS. Defines, in this chapter:

- (1) "charitable entity" to mean a corporation, trust, community chest, fund, foundation, or other entity organized for scientific, educational, philanthropic, or environmental purposes, social welfare, the arts and humanities, or another civic or public purpose described by Section 501(c)(3), Internal Revenue Code of 1986.
- (2) "charitable trust" to mean a charitable entity, a trust the stated purpose of which is to benefit a charitable entity, or an inter vivos or testamentary gift to a charitable entity.
- (3) "mineral interest" to mean an interest in oil, gas, or other mineral substance in place or that otherwise constitutes real property without regard to the depth at which such mineral substance is found.

Sec. 124.002. COMPULSORY DIVESTMENT PROHIBITED. Prohibits a sale or other action that would divest the charitable trust of the trust's ownership of a mineral interest, in a suit or other judicial proceeding the object or effect of which is to compel the partition of a mineral interest owned or claimed by a charitable trust, from being ordered unless the trust has refused to execute a mineral lease, the terms of which are fair and reasonable, to the plaintiff or petitioner in the proceeding.

SECTION 2. Provides that the change in law made by this Act applies only to a proceeding commenced on or after the effective date of this Act.

SECTION 3. Effective date: upon passage or September 1, 2013.