

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION**

**April 11, 2017**

**TO:** Honorable Abel Herrero, Chair, House Committee on Land & Resource Management

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: HB1882** by King, Tracy O. (Relating to the management of university land by The University of Texas System.), **As Introduced**

<b>No significant fiscal implication to the State is anticipated.</b>
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The bill would amend various sections of the Education Code as it relates to the management of university land by The University of Texas System. Under provisions of the bill, the board of regents (BOR) may grant or renew an easement or other interest in university land for a term longer than 10 years and may charge below market rate rent if the interest is granted or renewed to a municipality, a river authority, an electric cooperative or a nonprofit organization. The terms of the interest must require the grantee to use the land in a manner that primarily promotes a public purpose and benefits the land and includes provisions to grant sufficient control to the BOR to ensure the public purpose is accomplished and the BOR receives benefits.

The bill would require that procedures related to relief from the BOR's rate or damage schedule include a provision that the fair market value (FMV) of an interest is to be determined by an appraisal obtained by the person seeking relief and conducted by a licensed and certified appraiser applying standards generally applicable to the assessment of damages for the condemnation of an easement under Chapter 21, Property Code. If the FMV of an easement is established at an amount more than 5% above or below the rate or damage schedule or the rent or other amount to be charged, the BOR shall charge the amount equal to the fair market value as determined by the appraisal.

Under provisions of the bill, a person seeking relief may request binding arbitration. Costs of arbitration must be paid equally by the BOR and the person seeking relief unless the FMV is determined to be approximately the same as the amount requested by the prevailing party in which case the non-prevailing party must pay all costs.

The Available University Fund (AUF) is established in Section 18, Article VII, Texas Constitution, and consists of the surface income and investment proceeds from the Permanent University Fund (PUF). Distributions to the AUF consist of investment returns from PUF assets, surface income from PUF lands, and interest earned on AUF balances. The University of Texas System (System) has provided information that implementation of the bill would result in lost revenue to the AUF ranging from \$8.0 million in fiscal year 2018 to \$12.3 million in fiscal year 2023 due to the difference in the value of the easements on PUF land. Based on the average value of the easement, the System compared the revenue generated annually under current law to the revenue generated under the bill and applied a discount rate. The AUF is classified as Other Funds and as a result there would not be an impact to General Revenue.

**Local Government Impact**

No significant fiscal implication to units of local government is anticipated.

**Source Agencies:** 720 The University of Texas System Administration

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