

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

April 8, 2019

TO: Honorable Larry Taylor, Chair, Senate Committee on Education

FROM: John McGeady, Assistant Director Sarah Keyton, Assistant Director
Legislative Budget Board

IN RE: SB1659 by Watson (Relating to the acquisition and management of certain real property assets by the School Land Board for the use and benefit of the permanent school fund and the transfer of certain permanent school fund assets from the control of the School Land Board to the State Board of Education.), **As Introduced**

Due to uncertainty regarding the nature of future returns, the fiscal implications of the bill cannot be determined at this time.

Under Natural Resources Code Section 51.011, land, mineral, and real estate interests that are part of the Permanent School Fund (PSF) are managed by the School Land Board (SLB) and the Texas Land Commissioner. This bill would remove real estate interests and revenue received from those sources from the purview of the SLB and the Land Commissioner. The bill would also require that all revenue generated by mineral or royalty payments be transferred to the State Board of Education each month for investment in the PSF.

The bill would allow the SLB to designate funds received from the sale of real property or mineral or royalty interests set apart to the PSF for deposit in the real estate special fund to be used to acquire interests in real property, including mineral or royalty interests, for the benefit of the PSF. Money received for the sale of real property that is designated for the acquisition of real property, would have to be used for that purpose within two years of the date of sale from which the money is derived. Otherwise, money from the sale would be transferred to the (State Board of Education) SBOE for investment in the PSF.

Funds such as these that are designated for the acquisition of real property could be used to manage any commercial real estate held or acquired by the board on or before August 31, 2019. However, no later than September 1, 2023, the SLB would be required to divest from all such investments, except for any divestment that would cause substantial loss to the PSF. For investments that are not divested by this deadline, the SLB would be required to take direction from the SBOE as to the timing of additional divestment.

The bill would require the SLB to report to the Legislature on the implementation of the bill and on information related to the bill by September 1 of each year.

The fiscal impact of removing real estate investment authority from the SLB and requiring a monthly transfer of revenue from mineral and royalty interests to the SBOE is expected to have fiscal implications. However, the nature of that impact is unknown.

As a result of this bill, there would be a reduced need for investment management staff at the General Land Office (GLO). Due to uncertainties related to the time frame for divestment and transfer of assets to the SBOE, cost savings associated with the reduction in investment management staff at the GLO cannot be determined but would likely be significant.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 305 General Land Office and Veterans' Land Board, 701 Texas Education Agency

LBB Staff: WP, AM, THo, SD, PBO