

BILL ANALYSIS

Senate Research Center

S.B. 608
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Education
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Enrolled

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 Texas 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. (Original Author's/Sponsor's Statement of Intent)

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 11 (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), Government Code.

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 a nonsubstantive change to this subdivision; and

(2) four citizens of the state, rather than a citizen of the state, appointed by the governor with the advice and consent of the senate. Deletes existing text relating to a citizen of the state appointed by the Texas attorney general (attorney general).

(b) Requires two citizens appointed by the governor and to be selected from lists of nominees submitted by the State Board of Education (SBOE). Requires SBOE to submit to the governor a list of six nominees for a vacant position described by this subsection. Authorizes the governor to request that SBOE submit a second

list of six nominees if the governor does not choose to appoint a nominee from the first list.

(c) Requires at least one of the citizens appointed under Subsection (a) to be a resident of a county with a population of less than 200,000. Requires the governor and SBOE to collaborate to ensure that the membership of SLB complies with this subsection.

(d) Deletes existing text providing that the attorney general's appointing authority is the same as the authority of the governor under certain conditions. Redesignates existing Subsection (c) as this subsection and makes a conforming change.

SECTION 3. Amends Section 32.013, Natural Resources Code, to provide that the appointed members of SLB serve for terms or two years, rather than the members appointed to SLB by the governor and the attorney general serve for terms of two years.

SECTION 4. Amends Subchapter B, Chapter 32, Natural Resources Code, by adding Section 32.0161, as follows:

Sec. 32.0161. ANNUAL JOINT MEETING. (a) 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.

(b) Requires each member of SLB to attend the annual joint public meeting, unless the member's absence is excused by majority vote of SLB.

(c) Requires each member of SBOE to attend the annual joint public meeting, unless the member's absence is excused by majority vote of SBOE. Requires only a majority of committee members, if SBOE delegates powers and duties relating to the investment of the permanent school fund to a committee of SBOE, to attend the meeting.

SECTION 5. 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 Texas General Land Office (commissioner; GLO) and the staff of GLO.

SECTION 6. 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 of those members to

sign and submit to the commissioner a statement that the member received and has reviewed the training manual.

SECTION 7. 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 8. Amends Sections 51.402(a) and (c), Natural Resources Code, as follows:

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

(c) Prohibits the market value of the investments made under Subsection (a)(6) (relating to authorizing SLB to using certain funds to acquire interests in real estate) and (8) (relating to authorizing SLB using certain funds to take certain actions at prices and under terms and conditions that SLB determines to be in the best interest of the permanent school fund), on January 1 of each even-numbered year, from exceeding an amount that is equal to 15 percent of the market value of the assets held by SLB and SBOE as part of the permanent school fund, rather than prohibiting the market value of the investments in real estate under this section (Use of Designated Funds) on January 1 of each even-numbered year, notwithstanding Subsection (a) (relating to authorized uses of certain funds), from exceeding the amount that is equal to 15 percent of the market value of the permanent school fund on that date.

SECTION 9. 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 Organizations Code.

SECTION 10. Amends Section 51.412, Natural Resources Code, as follows:

Sec. 51.412. REPORTS TO LEGISLATURE. (a) Creates Subsections (b) and (c) from existing text of this subsection and makes no further changes to 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. Makes no further changes to this subsection.

(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;

(4) makes no changes to this subdivision;

(5) makes a nonsubstantive change to this subdivision;

(6) the amounts of all fees or other compensation paid by SLB to investment managers, consultants, or advisors appointed or organizations contracted with under Section 51.4021 (Appointment of Special Fund Managers, Investment Consultants, or Advisors); and

(7) creates this subdivision from existing Subdivision (6) and makes no further changes.

SECTION 11. 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 12. 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 money, SLB will transfer during the subsequent fiscal biennium from one specific account to another specific account or SBOE for investment in the permanent school fund.

SECTION 13. (a) Provides that the changes in law made by this Act to Section 32.012, Natural Resources Code, relating to the membership of SLB do not affect the eligibility of a member of SLB serving immediately before the effective date of this Act to continue to serve on SLB for the term to which the member was appointed.

(b) Requires the governor and SBOE, as soon as possible after the effective date of this Act, to collaborate to appoint members of SLB as necessary to ensure that the composition of SLB complies with Section 32.012, Natural Resources Code, as amended by this Act.

SECTION 14. 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 15. Effective date: September 1, 2019.