

SUBJECT: Allowing municipalities to invest public funds received from minerals

COMMITTEE: Pensions, Investments, and Financial Services — favorable, without amendment

VOTE: 6 ayes — Truitt, Anchia, Hernandez, Hopson, Veasey, Woolley
0 nays
3 absent — Anderson, Flynn, Parker

SENATE VOTE: On final passage, April 23 — 30-0

WITNESSES: (*On House companion bill, HB 2336:*)
For — Mel LeBlanc, Carolyn Montesana, Arlington Tomorrow Foundation; Jeff Leuschel, City of Fort Worth)
Against — None

DIGEST: SB 894 would amend Government Code, ch. 2256, the Public Funds Investment Act, to allow a municipality to invest funds received from its lease or contract for the management and development of land owned by the municipality for oil, gas, or other mineral development. These funds could be invested in any manner authorized by the Texas Trust Code.

Mineral rights-related funds invested by a municipality would have to be segregated and accounted for separately from other funds of the municipality.

The bill would take effect September 1, 2009.

SUPPORTERS SAY: SB 894 would allow municipalities to invest wisely public funds received from their mineral rights. Currently, several communities in North Texas are receiving revenues from royalty payments and leasing bonuses well beyond what is necessary for their short-term budgets, as a result of leasing their mineral rights from the Barnett Shale on municipally owned property.

The current Public Funds Investment Act is too restrictive, in that it requires use of low-interest bearing and short-term financial instruments. While this is prudent for short-term liquidity needs for regular operations, there are no provisions that allow municipalities to invest funds from mineral rights into trustee accounts. As lease bonus payments are one-time payments, and royalties do not provide a predictable income stream, care should be taken so that these funds are used in long-term investments. SB 894 would allow cities benefiting from mineral rights the investment flexibility needed to help utilize the resources acquired today for years to come.

OPPONENTS
SAY:

No apparent opposition.

NOTES:

The House companion bill, HB 2336 by Truitt, was considered by the House Pensions, Investments, and Financial Services Committee on March 18 and left pending.