

## **BILL ANALYSIS**

Senate Research Center  
81R7720 JTS-F

S.B. 894  
By: Nelson, Davis, Wendy  
Intergovernmental Relations  
4/6/2009  
As Filed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

In the Barnett Shale region, many cities are receiving royalties, leases, permit fees, and other non-tax revenue in exchange for drilling rights. Because natural gas and mineral resources are limited, the revenues they produce are considered one-time payments. Cities would like to increase the utility of these payments by using long-term investment strategies. However, municipal investments are governed by the Texas Public Funds Investment Act (PFIA), which restricts investment strategies to those that generally offer lower risk and lower yield.

As proposed, S.B. 894 subjects municipal non-tax revenue derived from natural gas wells and mineral leases to the Texas Trust Code instead of PFIA.

### **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 Subchapter A, Chapter 2256, Government Code, by adding Section 2256.0202, as follows:

Sec. 2256.0202. AUTHORIZED INVESTMENTS: MUNICIPAL FUNDS FROM MANAGEMENT AND DEVELOPMENT OF MINERAL RIGHTS. (a) Authorizes a municipality, in addition to other investments authorized under this subchapter, to invest funds received by the municipality from a lease or contract for the management and development of land owned by the municipality and leased for oil, gas, or other mineral development in any investment authorized to be made by a trustee under Subtitle B (Texas Trust Code: Creation, Operation, and Termination of Trusts), Title 9 (Trusts), Property Code.

(b) Requires that funds invested by a municipality under this section are to be segregated and accounted for separately from other funds of the municipality.

SECTION 2. Effective date: September 1, 2009.