

STATE OF OKLAHOMA

1st Session of the 60th Legislature (2025)

SENATE BILL 919

By: Green

AS INTRODUCED

An Act relating to the Commissioners of the Land Office; defining term; establishing restrictions on certain agricultural leases; amending 18 O.S. 2021, Section 955, which relates to limitations on ownership of farming and ranching business corporations; providing exception for qualification of certain limited liability company; modifying fine amount; updating statutory language; updating statutory reference; amending 64 O.S. 2021, Section 1013, as amended by Section 40, Chapter 228, O.S.L. 2022 (64 O.S. Supp. 2024, Section 1013), which relates to investment of funds; removing certain investment exemption; providing for codification; and providing an effective date.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 1023a of Title 64, unless there is created a duplication in numbering, reads as follows:

A. For the purposes of leases entered into by the Commissioners of the Land Office, "commercial lease" shall mean a lease for those trust lands which may have a greater value or use which enables it to earn more income per year than if used strictly for agricultural purposes. Any lease entered into for the purpose of renewable

1 energy generation on and after the effective date of this act shall
2 be considered a commercial lease.

3 B. No agricultural lease shall be executed in favor of any
4 corporation or its agent, or a third party for the use and benefit
5 of a corporation, except as provided in Section 951 et seq. of Title
6 18 of the Oklahoma Statutes.

7 SECTION 2. AMENDATORY 18 O.S. 2021, Section 955, is
8 amended to read as follows:

9 Section 955. A. No person, corporation, association, or any
10 other entity shall engage in farming or ranching, or own or lease
11 any interest in land to be used in the business of farming or
12 ranching, except the following:

13 1. Natural persons and the estates of such persons;

14 2. Trustees of trusts; provided that:

15 a. each beneficiary shall be a person or entity
16 enumerated in paragraphs 1 through 5 of this
17 subsection, and

18 b. there shall not be more than ten beneficiaries unless
19 the beneficiaries in excess of ten are related as
20 lineal descendants or are or have been related by
21 marriage or adoption to lineal descendants, and

22 c. at least sixty-five percent (65%) of the trust's
23 annual gross receipts shall be derived from farming or
24 ranching, or from allowing others to extract minerals

1 underlying lands held by the trust. If the trust
2 cannot comply with the annual gross receipts test, the
3 trust may furnish records of its gross receipts for
4 each of the previous five (5) years, or for each year
5 that it has been in existence if less than five (5)
6 years, and the average of such annual gross receipts
7 may be used for purposes of complying with this
8 section;

9 3. Corporations, as provided for in Sections 951 through 954 of
10 this title, or as otherwise permitted by law;

11 4. Partnerships and limited partnerships; provided that:

12 a. each partner shall be a person or entity enumerated in
13 paragraphs 1 through 5 of this subsection, ~~and~~

14 b. there shall not be more than ten partners unless ~~said~~
15 the partners in excess of ten are related as lineal
16 descendants or are or have been related by marriage or
17 adoption to lineal descendants, and

18 c. at least sixty-five percent (65%) of the partnership's
19 annual gross receipts shall be derived from farming or
20 ranching, or from allowing others to extract minerals
21 underlying lands held by the partnership. If the
22 partnership cannot comply with the annual gross
23 receipts test, the partnership may furnish records of
24 its gross receipts for each of the previous five (5)

1 years, or for each year that it has been in existence
2 if less than five (5) years, and the average of such
3 annual gross receipts may be used for purposes of
4 complying with this section; and

5 5. Limited liability companies formed pursuant to the Oklahoma
6 Limited Liability Company Act; provided that:

- 7 a. each member shall be a person or entity enumerated in
8 paragraphs 1 through 5 of this subsection, ~~and~~
- 9 b. there shall not be more than thirty members unless
10 ~~said~~ the members in excess of thirty are related as
11 lineal descendants or are or have been related by
12 marriage or adoption to lineal descendants, ~~and~~
- 13 c. at least sixty-five percent (65%) of the limited
14 liability company's annual gross receipts shall be
15 derived from farming or ranching, or from allowing
16 others to extract minerals underlying lands held by
17 the limited liability company. If the limited
18 liability company cannot comply with the annual gross
19 receipts test, the limited liability company may
20 furnish records of its gross receipts for each of the
21 previous five (5) years, or for each year that it has
22 been in existence if less than five (5) years, and the
23 average of such annual gross receipts may be used for
24 purposes of complying with this section, and

1 d. the limited liability company is not engaged in
2 renewable energy generation.

3 B. Any farming or ranching corporation, trust, partnership,
4 limited partnership, limited liability company or other entity which
5 violates any provisions of this section shall be fined an amount not
6 to exceed Five Hundred Dollars (\$500.00) per day until the violation
7 ceases. Any other person or entity who knowingly violates this
8 section shall be deemed guilty of a misdemeanor.

9 C. The provisions of ~~this act~~ Section 951 et seq. of this title
10 shall not apply to interests in land acquired prior to June 1, 1978.

11 SECTION 3. AMENDATORY 64 O.S. 2021, Section 1013, as
12 amended by Section 40, Chapter 228, O.S.L. 2022 (64 O.S. Supp. 2024,
13 Section 1013), is amended to read as follows:

14 Section 1013. A. The Commissioners of the Land Office shall be
15 responsible for the investment of the permanent school funds, other
16 educational funds and public building funds solely in the best
17 interests of the current and future beneficiaries. The
18 Commissioners of the Land Office shall make investments:

19 1. For the exclusive purpose of:

- 20 a. providing maximum benefits to current and future
- 21 beneficiaries, and
- 22 b. defraying reasonable expenses of administering the
- 23 trust funds;

1 2. With the care, skill, prudence and diligence under the
2 circumstances then prevailing that a prudent person acting in a like
3 enterprise of a like character and with like aims would use; and

4 3. By diversifying the investments of the trust funds so as to
5 minimize the risk of large losses.

6 B. The permanent school fund and other educational funds may
7 only be invested in bonds issued in the United States, United States
8 dollar denominated or other investments settled in United States
9 dollars or traded on the United States exchange markets and real
10 property to be owned or acquired by the Commissioners of the Land
11 Office. The Commissioners of the Land Office shall not invest more
12 than sixty percent (60%) of the trust fund investments in equity
13 securities. The Commissioners of the Land Office are further
14 authorized to acquire, purchase, exchange and grant any real
15 property under its jurisdiction as is necessary to carry out the
16 investment in the real property. The Commissioners of the Land
17 Office shall not invest more than five percent (5%) of the total
18 value of the assets of the permanent school funds in connection with
19 investments in real property. ~~The calculation of investments in~~
20 ~~real property within the five percent (5%) cap shall not include the~~
21 ~~value of real property under long term lease to the State of~~
22 ~~Oklahoma, agencies of the state or subdivisions thereof.~~ In no case
23 shall the Commissioners of the Land Office bid against private-

1 sector bidders above the appraised value of any property to be
2 acquired.

3 C. The Commissioners shall establish an investment committee.
4 The investment committee shall be composed of not more than three
5 members of the Commissioners of the Land Office or their designees.
6 The committee shall make recommendations to the Commissioners of the
7 Land Office on all matters related to the choice of managers of the
8 assets of the funds, on the establishment of investment and fund
9 management guidelines, and in planning future investment policy.
10 The committee shall have no authority to act on behalf of the
11 Commissioners of the Land Office in any circumstances whatsoever.
12 No recommendations of the committee shall have effect as an action
13 of the Commissioners of the Land Office or take effect without the
14 approval of the Commissioners as provided by law. The Commissioners
15 shall promulgate and adopt on an annual basis an investment plan.
16 The investment plan shall state the criteria for selecting
17 investment managers, the allocation of assets among investment
18 managers, and established standards of investment and fund
19 management.

20 D. The Commissioners shall retain qualified investment managers
21 to provide for investment of the fund monies and for the management
22 of investment real property pursuant to the investment plan.
23 Investment managers shall be chosen by a solicitation of proposals
24 on a competitive bid basis pursuant to standards set by the

1 Commissioners. Subject to the investment plan, each investment
2 manager shall have full discretion in the management of the funds or
3 investment real property allocated to the investment managers. The
4 funds allocated to investment managers shall be actively managed by
5 them, which may include selling investments and realizing losses if
6 the action is considered advantageous to longer term return
7 maximization. Because of the total return objective, no distinction
8 shall be made for management and performance evaluation purposes
9 between realized and unrealized capital gains and losses.

10 E. The Commissioners shall take any measures they deem
11 appropriate to safeguard custody of securities and other assets of
12 the trusts.

13 F. By September 1 of each year, the Commissioners shall develop
14 a written investment plan for the trust funds.

15 G. The Commissioners shall compile a quarterly financial report
16 showing the performance of all the combined funds under their
17 control on a fiscal year basis. The report shall contain a list of
18 all investments made by the Commissioners and a list of any
19 commissions, fees or payments made for services regarding the
20 investments for that reporting period. The report shall be based on
21 market values and shall be compiled pursuant to uniform reporting
22 standards prescribed by the Oklahoma State Pension Commission for
23 all state retirement systems. The report shall be distributed to
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1 the Oklahoma State Pension Commission, the Cash Management and
2 Investment Oversight Commission, and the Legislative Service Bureau.

3 H. Before January 1 of each year, the Commissioners shall
4 publish an annual report of all Trust operations, presented in a
5 simple and easily understood manner to the extent possible. The
6 report shall be submitted to the Governor, the Speaker of the House
7 of Representatives, the President Pro Tempore of the Senate, the
8 State Department of Education and each higher education beneficiary.
9 The annual report shall cover the operation of the Trusts during the
10 past fiscal year including income, disbursements and the financial
11 condition of the Trusts at the end of each fiscal year on a cash
12 basis. The annual report shall also contain a summary of the assets
13 of each trust and current market value as of the report date.

14 I. The Cash Management and Investment Oversight Commission
15 shall review reports prepared by the Commissioners of the Land
16 Office pursuant to this subsection and shall make recommendations
17 regarding the investment strategies and practices, the development
18 of internal auditing procedures and practices and any other matters
19 as determined necessary and applicable.

20 J. The Commissioners of the Land Office shall select one or
21 more custodial banks to settle transactions involving the investment
22 of the funds under the control of the Commissioners of the Land
23 Office. The Commissioners of the Land Office shall review the
24 performance of each custodial bank at least once every year. The

1 Commissioners of the Land Office shall require a written competitive
2 bid every ten (10) years. The custodial bank shall have a minimum
3 of Five Hundred Million Dollars (\$500,000,000.00) in assets to be
4 eligible for selection. Any out-of-state custodial bank shall have
5 a service agent in the State of Oklahoma so that service of summons
6 or legal notice may be had on the designated agent, and the bank
7 shall submit to the jurisdiction of Oklahoma state courts for
8 resolution of any and all disputes. In order to be eligible for
9 selection, the custodial bank shall allow electronic access to all
10 transaction and portfolio reports maintained by the custodial bank
11 involving the investment of state funds under control of the
12 Commissioners of the Land Office and to the Cash Management and
13 Investment Oversight Commission. The requirement for electronic
14 access shall be incorporated into any contract between the
15 Commissioners of the Land Office and the custodial bank. Neither
16 the Commissioners of the Land Office nor the custodial bank shall
17 permit any of the funds under the control of the Commissioners of
18 the Land Office or any of the documents, instruments, securities or
19 other evidence of a right to be paid money to be located in any
20 place other than within a jurisdiction or territory under the
21 control or regulatory power of the United States government.

22 SECTION 4. This act shall become effective November 1, 2025.
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