

- SUBJECT:** Revising requirements for sale and lease of public school land
- COMMITTEE:** Land and Resource Management — favorable, without amendment
- VOTE:** 6 ayes — Mowery, J. Jones, Goolsby, Guillen, Haggerty, Howard  
0 nays  
3 absent — Pickett, Hochberg, Noriega
- WITNESSES:** For — Jerry Patterson, General Land Office  
Against — None  
On — Mark McAnally, Dewayne Naumann, and Bo Tanner, General Land Office; (*Registered, but did not testify:*) Charles W. Richards, General Land Office
- BACKGROUND:** Under Natural Resources Code, ch. 51, land dedicated to the Permanent School Fund (PSF) under the Constitution and state laws, together with the mineral estate in riverbeds, channels, and tidelands, including islands, is controlled, sold, and leased by the School Land Board and general land commissioner. The General Land Office (GLO) finances directly the sale of some state land to private buyers under this statute.  
  
If principal or interest on a sale of land is not paid to GLO when due, the land is subject to forfeiture. In the event of forfeiture, the buyer may reinstate his or her claim to the land by paying all unpaid interest. The buyer must exercise the right to reinstate the claim to the property within five years after the date of the forfeiture.
- DIGEST:** HB 2249 would amend various provisions relating to the sale and lease of public school land, including:
- authorizing the School Land Board to sell land through a negotiated sale for not less than the market value if the board determined that such a sale was in the best interest of the PSF;

- authorizing the board to pay a commission to a licensed real estate broker or salesperson in connection with sale of public school land if the board found such a payment in the best interest of the PSF;
- protecting the state's right to proceed legally to recover the full amount of the principal owed to the state at the time of land forfeiture;
- requiring people who seek reinstatement of land to pay the unpaid principal on their delinquent loans as well as interest, plus a reinstatement fee of 1.5 percent of all amounts delinquent;
- requiring a licensed appraiser to determine the market value of public school land;
- prohibiting the School Land Board from paying more for real property than the market value as determined by the appraiser; and
- prohibiting the sale of school land for less than market value and requiring a sale to be under terms and conditions that the commissioner determines are in the state's best interests.

Amounts received from the proposed reinstatement fee would be considered proceeds from the sale of PSF land and would be deposited in the PSF.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2003.

**SUPPORTERS  
SAY:**

HB 2249 would revise requirements for sale and lease of public school land in simple fashion to further the GLO's fiduciary duty to the public.

The bill would revise the exceptionally generous existing standards extended to buyers of state land to bring them into conformity with current industry standards. For example, in lending agreements with most banks, a borrower in arrears must pay both principal and interest costs, plus special fees, to reinstate the borrower's claim to property. Also, borrowers normally must make these payments within months, not years, of defaulting on most loans to redeem their claims to land. These and other provisions of the existing statute are relics of the World War II era, when buyers of state land were drafted for war and needed less stringent standards to allow them to reinstate claims upon their return home. HB 2249 would update the standards for reinstatement and other procedures to the benefit of the PSF.

The bill properly would allow GLO to use the services of a licensed real estate broker or salesperson in selling PSF land. Local land brokers often are the most suitable people to perform this duty because the work is specialized and technical. GLO and the PSF would benefit from their expertise by obtaining the best possible prices for land while committing the fewest technical mistakes. The bill's insertion of the "market value" standard in many places would conform with other changes proposed by the bill.

**OPPONENTS  
SAY:**

The bill should not authorize the use of commercial brokers to sell state land, because that would deprive the PSF of the full proceeds of land sales. The loss of this increment on major land sales could accumulate substantially over time. GLO houses adequate staff and expertise to continue transacting sales of state land.

**NOTES:**

The companion bill, SB 1122 by Staples, has been referred to the Senate Natural Resources Committee.