

## **BILL ANALYSIS**

Senate Research Center  
79R11666 RMB-F

H.B. 2217  
By: McCall (Staples)  
Finance  
5/11/2005  
Engrossed

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

The Texas Legislature has charged the school land board (board) and the commissioner of the General Land Office with the duty and authority to manage the state-owned real property dedicated to the permanent school fund, under Sections 4 and 5, Article VII, Texas Constitution. These real property assets are leased for a variety of purposes, including oil and gas production, commercial development, and sustainable energy development. However, the board does not have clear authority to expend funds to make improvements to these real property assets, or to otherwise enhance their value.

H.B. 2217 eliminates and modifies many old and out-dated provisions in Chapter 51, Natural Resources Code, governing the board's authority, thereby granting the board the authority it needs to operate as a modern real estate fund.

### **RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to the school land board in SECTION 6 (Section 51.052, Natural Resources Code) of this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 51.001(11), Natural Resources Code, by redefining "market value."

SECTION 2. Amends the heading to Subchapter B, Chapter 51, Natural Resources Code, to read as follows:

**SUBCHAPTER B. PROVISIONS GENERALLY APPLICABLE  
TO THE MANAGEMENT  
OF PUBLIC SCHOOL AND ASYLUM LAND**

SECTION 3. Amends the heading to Section 51.011, Natural Resources Code, to read as follows:

**Sec. 51.011. MANAGEMENT OF PUBLIC SCHOOL LAND.**

SECTION 4. Amends Section 51.011, Natural Resources Code, by amending Subsection (a) and adding Subsection (a-1), as follows:

(a) Requires certain lands and mineral estates to be subject to the sole and exclusive management and control of the school land board (board) and the commissioner of the General Land Office (commissioner), rather than be controlled, sold, and leased by the board and commissioner, under the provisions of this chapter.

(a-1) Authorizes the board to acquire, sell, lease, trade, improve, or otherwise manage, control, or use land that is set apart to the permanent school fund in any manner, at such prices, and under such terms and conditions, as the board finds to be in the best interest of the fund.

SECTION 5. Amends Section 51.051, Natural Resources Code, as follows:

Sec. 51.051. SALE OF LAND. Requires all sales of land described in Section 51.011 (Sale and Lease of Public School Land) to be made by or under the direction of the board. Deletes reference to the provisions of Section 32.109 (Acceptance and Rejection of Bids). Deletes the requirement that the sale be made to the applicant who submits the highest bid for the land at a price that is not less than the price set by the board for purchase of the land. Makes a nonsubstantive change.

SECTION 6. Amends Sections 51.052(d), (e), and (i), Natural Resources Code, as follows:

(d) Deletes the prohibition against selling land covered by this chapter for less than the market value that appears in the appraisal made under this subsection.

(e) Adds the requirement that for an owner of land surrounding a tract made available for sale, in order to exercise the preference right to purchase the tract, the board find the use of the preference to be in the best interest of the state. Requires the board to adopt rules to implement this preference right.

(i) Authorizes the asset management division of the General Land Office, if the transaction involves commercial real estate and the board determines that it is in the best interest of the permanent school fund, to solicit proposal or negotiate a sale, exchange, or lease of the land to any person. Deletes the prohibition that the sale price may not be less than the market value. Makes conforming and nonsubstantive changes.

SECTION 7. Amends Sections 51.401(a) and (c), Natural Resources Code, as follows:

(a) Deletes the requirement that certain funds deposited in a special fund account of the permanent school fund be used by the board to acquire fee or lesser interests in real property, including mineral and royalty interests, for the use and benefit of the permanent school fund, as provided by Section 51.402 (Acquisition of Interest in Real Property). Deletes the reference to active leases. Makes a nonsubstantive change.

(c) Requires money received from the sale of a particular piece of land under this subchapter to be used by the board, as provided by this subchapter, rather than requiring money received from the sale of a particular piece of land and designated for the acquisition of interests in real property under this subchapter be used by the board, by a certain date. Requires money received from the lease of minerals and royalties derived from leases, rather than from active leases, and designated for use by the board as provided by this subchapter, rather than for the acquisition of interests in real property under this subchapter, to be used by the board by a certain date.

SECTION 8. Amends Section 51.402, Natural Resources Code, as follows:

Sec. 51.402. New heading. USE OF DESIGNATED FUNDS. Includes among those purposes for which the board may use the money under Section 51.401 (Special Fund Account): protecting, maintaining, or enhancing the value of public school land; acquiring interests in real property; and paying reasonable fees for professional services related to permanent school fund investment. Requires the board, before using funds under Subsection (a), to determine, using the prudent investor standard, that the use of the funds for the intended purpose is in the best interest of the permanent school fund. Makes conforming and nonsubstantive changes.

SECTION 9. Amends Subchapter I, Chapter 51, Natural Resources Code, by adding Section 51.4021, as follows:

Sec. 51.4021. APPOINTMENT OF SPECIAL FUND MANAGERS. Authorizes the board to appoint investment managers to invest the money designated under Section 51.401 by contracting for professional investment management services with one of more organizations that are in the business of managing real estate investment. Sets forth the eligibility requirements for an appointment as investment manager under this section. Specifies the requirements of a contract under this section. Requires compensation paid to an investment manager by the board to be consistent with the compensation standards

of the investment industry and compensation paid by similarly situated institutional investors.

SECTION 10. Repealer: Sections 32.254 (Land To Be Traded For Land Of At Least Equal Value) and 51.403 (Market Value), Natural Resources Code.

SECTION 11. Effective date: upon passage or September 1, 2005.