

By: McCall

H.B. No. 2217

A BILL TO BE ENTITLED

AN ACT

relating to the management of public school land and the permanent school fund.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 32.254, Natural Resources Code, is amended to read as follows:

Sec. 32.254. LAND TO BE TRADED FOR LAND OF EQUIVALENT [~~AT LEAST EQUAL~~] VALUE. [~~(a)~~] A trade of land dedicated to the permanent school fund may be made only on an equivalent market [~~appraised~~] value basis. [~~The appraisal must be made by appraisers of the land office, and the board must concur in the appraisal. The appraisal is conclusive proof of the value of the land.~~

[~~(b) A trade of land dedicated to the permanent school fund may be made only for land of at least equal value.~~]

SECTION 2. Section 51.001(11), Natural Resources Code, is amended to read as follows:

(11) "Market value" means the value of real property as determined by the board [~~an appraisal performed by an appraiser~~].

SECTION 3. The heading to Subchapter B, Chapter 51, Natural Resources Code, is amended to read as follows:

SUBCHAPTER B. PROVISIONS GENERALLY APPLICABLE

TO THE MANAGEMENT [~~SALE AND LEASE~~]

OF PUBLIC SCHOOL AND ASYLUM LAND

1 SECTION 4. The heading to Section 51.011, Natural Resources  
2 Code, is amended to read as follows:

3 Sec. 51.011. MANAGEMENT [~~SALE AND LEASE~~] OF PUBLIC SCHOOL  
4 LAND.

5 SECTION 5. Section 51.011, Natural Resources Code, is  
6 amended by amending Subsection (a) and adding Subsection (a-1) to  
7 read as follows:

8 (a) Any land that is set apart to the permanent school fund  
9 under the constitution and laws of this state together with the  
10 mineral estate in riverbeds, channels, and the tidelands, including  
11 islands, shall be subject to the sole and exclusive management and  
12 control of [~~controlled, sold, and leased by~~] the school land board  
13 and the commissioner under the provisions of this chapter.

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

19 SECTION 6. Section 51.051, Natural Resources Code, is  
20 amended to read as follows:

21 Sec. 51.051. SALE OF LAND. All [~~Subject to the provisions~~  
22 ~~of Section 32.109 of this code, all~~] sales of land described in  
23 Section 51.011 [~~of this code~~] shall be made by or under the  
24 direction of the school land board [~~to the applicant who submits the~~  
25 ~~highest bid for the land at a price that is not less than the price~~  
26 ~~set by the board for purchase of the land~~].

27 SECTION 7. Sections 51.052(d) and (i), Natural Resources

1 Code, are amended to read as follows:

2 (d) Before the land under this chapter is sold, the  
3 appraiser must appraise the land [~~at its market value~~] and file a  
4 copy of the appraisal with the commissioner. [~~No land covered by  
5 this chapter may be sold for less than the market value that appears  
6 in the appraisal made under this subsection.~~]

7 (i) If no bid meeting minimum requirements is received for a  
8 tract of land offered at a sealed bid sale under Subchapter D of  
9 Chapter 32 [~~of this code~~], or if the transaction involves  
10 commercial real estate and the board determines that it is in the  
11 best interest of the permanent school fund, the asset management  
12 division of the land office may solicit proposals or negotiate a  
13 sale, exchange, or lease of the land to any person. The asset  
14 management division may [~~also~~] contract for the services of a real  
15 estate broker or of a private brokerage or real estate firm to  
16 assist in a [~~the real estate~~] transaction under this subsection.  
17 The sale price may not be less than the market value. The board must  
18 approve any negotiated sale, exchange, or lease of any land under  
19 this section.

20 SECTION 8. Sections 51.401(a) and (c), Natural Resources  
21 Code, are amended to read as follows:

22 (a) The board may designate funds received from the sale of  
23 permanent school fund land under this chapter and the proceeds of  
24 future mineral leases and royalties generated from existing and  
25 future [~~active~~] leases of permanent school fund mineral interests  
26 received under Chapters 52 and 53 [~~of this code~~] for deposit in a  
27 special fund account of the permanent school fund in the State

1 Treasury to be used by the board [~~to acquire fee or lesser interests~~  
2 ~~in real property, including mineral and royalty interests, for the~~  
3 ~~use and benefit of the permanent school fund,~~] as provided by  
4 [~~Section 51.402 of~~] this subchapter.

5 (c) Money received from the sale of a particular piece of  
6 land [~~and designated for the acquisition of interests in real~~  
7 ~~property~~] under this subchapter must be used by the board as  
8 provided by this subchapter not later than two years after the date  
9 of the sale of land from which the money is derived. Money received  
10 from the lease of minerals and royalties derived from [~~active~~]  
11 leases and designated for use by the board as provided by [~~the~~  
12 ~~acquisition of interests in real property under~~] this subchapter  
13 must be used by the board not later than two years after the date the  
14 money is deposited in the special fund account.

15 SECTION 9. Section 51.402, Natural Resources Code, is  
16 amended to read as follows:

17 Sec. 51.402. USE OF DESIGNATED FUNDS [~~ACQUISITION OF~~  
18 ~~INTEREST IN REAL PROPERTY~~]. (a) The board may use the money  
19 designated under Section 51.401 [~~of this subchapter to acquire real~~  
20 ~~property and to pay the expenses of acquisitions and sales~~] for any  
21 of the following purposes:

22 (1) to add to a tract of public school land to form a  
23 tract of sufficient size to be manageable;

24 (2) to add contiguous land to public school land;

25 (3) to acquire, as public school land, interests in  
26 real property for [~~of unique~~] biological, commercial, geological,  
27 cultural, or recreational purposes [~~value~~]; [~~or~~]

1           (4) to acquire mineral and royalty interests for the  
2 use and benefit of the permanent school fund;

3           (5) to maintain or enhance the value of public school  
4 land;

5           (6) to acquire interests in real estate investments;  
6 or

7           (7) to pay reasonable fees for professional services  
8 related to a permanent school fund investment.

9           (b) Before using funds [~~acquiring real property~~] under  
10 Subsection (a) [~~of this section~~], the board must determine, using  
11 the prudent investor standard, that the use of the funds for the  
12 intended purpose [~~acquisition~~] is in the best interest of the  
13 permanent school fund.

14           SECTION 10. Subchapter I, Chapter 51, Natural Resources  
15 Code, is amended by adding Section 51.4021 to read as follows:

16           Sec. 51.4021. APPOINTMENT OF SPECIAL FUND MANAGERS. (a)  
17 The board may appoint investment managers to invest the money  
18 designated under Section 51.401 by contracting for professional  
19 investment management services with one or more organizations that  
20 are in the business of managing real estate investments.

21           (b) To be eligible for appointment under this section, an  
22 investment manager must be:

23           (1) registered under the Investment Advisors Act of  
24 1940 (15 U.S.C. Section 80b-1 et seq.);

25           (2) a bank as defined by that Act; or

26           (3) an insurance company qualified to perform real  
27 estate investment services under the laws of more than one state.

1       (c) In a contract under this section, the board shall  
2 specify any policies, requirements, or restrictions, including  
3 criteria for determining the quality of investments and for the use  
4 of standard rating services, that the board adopts for real estate  
5 investments of the permanent school fund.

6       SECTION 11. Sections 51.052(e) and (f) and 51.403, Natural  
7 Resources Code, are repealed.

8       SECTION 12. This Act takes effect immediately if it  
9 receives a vote of two-thirds of all the members elected to each  
10 house, as provided by Section 39, Article III, Texas Constitution.  
11 If this Act does not receive the vote necessary for immediate  
12 effect, this Act takes effect September 1, 2005.