

Staff Report 63

PARTY:

California State Lands Commission

PROPOSED ACTION:

Consider State's best interests determination regarding an application for conveyance of school land.

AREA, LAND TYPE, AND LOCATION:

326.2 acres of State-owned school land, Assessor Parcel Number 027-160-011, located in Section 16, Township 15 South, Range 8 East, Mount Diablo Baseline & Meridian, San Benito County (as shown in Figure 1).

Figure 1. Location



BACKGROUND:

School Lands were granted to the State of California on March 3, 1853, by an Act of Congress ([Ch. 145, 10 Stat. 244](#)) for the purpose of supporting public schools. These lands consisted of the 16th and 36th sections of land in each township, save lands reserved for other public purposes, lands previously conveyed (e.g., rancho lands, sovereign lands, and swamp or overflowed lands), and lands known to be mineral in character. A supplementary act in 1927 expanded the grant to include minerals ([Ch. 57, 44 Stat. 1026](#)). No federal patents to the State were issued under the grant; title to the lands was vested in the State upon approval of U.S. Township Survey Plats.

Pursuant to [Public Resources Code section 8701](#):

1. Past policies of the State have resulted in significant depletion of the inventory of lands granted by the federal government to provide fiscal support for the public school system.
2. That remaining school lands and attendant interests be managed and enhanced to provide an economic base for support of the public school system.
3. The Commission shall plan and implement all transactions, including exchanges, sales, and acquisitions which would facilitate the management of school land interests for revenue generating purposes.
4. The State, through the Commission, shall take all actions necessary to fully develop school lands, indemnity interests, and attendant mineral interests into a permanent and productive resource base.
5. It is in the best interest of the State that school lands be managed as a revenue source, and it is the intent of the Legislature that fair market value be a primary criterion in determining if proposed uses or dispositions of land should be approved.
6. The consolidation of school land parcels into contiguous holdings is essential to sound and effective management and the power to acquire lands by exchange or purchase is elemental to the consolidation process.

[Public Resources Code section 6217.5](#) requires that all net revenues, monies, and remittances from school lands (i.e., royalties, rents, and interest generated from promissory notes) are deposited into the State Treasury to the credit of the

Teachers' Retirement Fund, which benefits the California State Teachers' Retirement System (CalSTRS).

[Public Resources Code section 6217.7](#) requires that the Commission deposit all net revenues, monies, and remittances from the sale of school lands into the State Treasury to the credit of the School Land Bank Fund.

Finally, the [California Code of Regulations, Title 2, Section 2030, Sale Restrictions](#), subparagraph (b)(1) states that:

1. No new purchase applications shall be accepted except those from public agencies, entities or utilities **or under the circumstances determined by the Commission to be in the best interest of the State**. Such sales may be accomplished with or without competitive bidding.

Based on the Commission's delegation of authority, the initial determination of whether a prospective conveyance meets the necessary exception to the school land sale restrictions, and is in the best interest of the state, rests with the Executive Officer of the Commission. However, the EO may elect to bring these actions to the Commission for their concurrence, and public transparency, as needed. The action required to approve or disapprove a final conveyance of School Land rests entirely with the Commission, to be heard at a regularly scheduled meeting.

STAFF ANALYSIS AND RECOMMENDATION:

AUTHORITY

Public Resources Code sections 6005, 6216, 6217.7, 7301, 8701, 8705, 8711, and 8713; California Code of Regulations, title 2, sections 2030 and 2032.

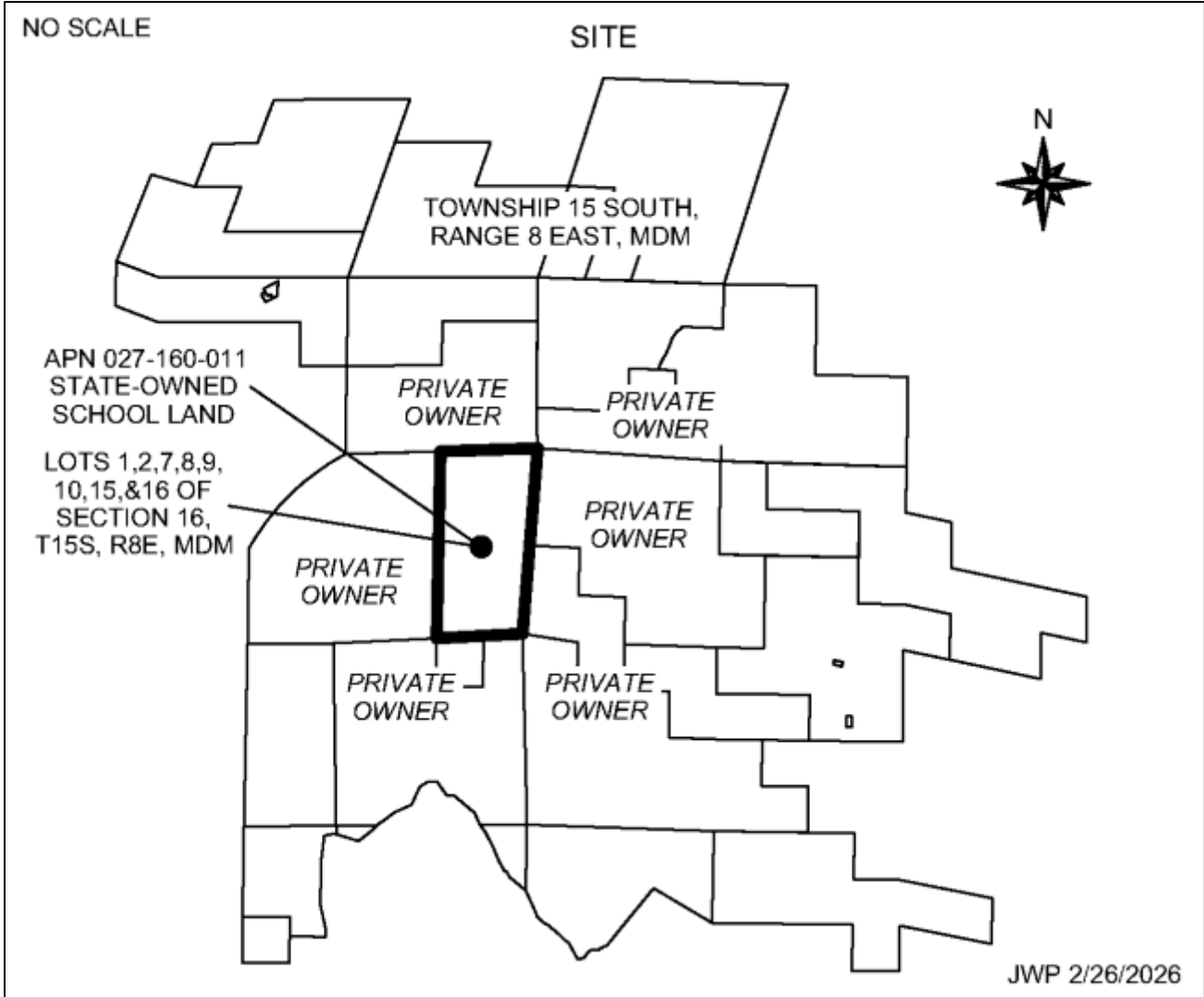
STATE'S BEST INTERESTS:

The Commission has been approached by a private individual who is interested in acquiring a land-locked parcel of school land. The parcel in question is wholly within the boundaries of land owned by the prospective purchaser (see Figure 2 below). The parcel is not currently leased, and there have been no applications for use of the parcel. Because the parcel is bordered on all sides by private land holdings, the parcel is landlocked and has almost no potential for development, by the Commission, in furtherance of the obligation to generate revenue for CalSTRS. However, the parcel's greatest worth is to the surrounding landowner, who is seeking to consolidate surface interests. Additional parcels would need to be

acquired to support development and access to the parcel to generate ongoing revenue. The prospective purchaser, also the surrounding property owner, has no interest in selling his holdings in and around the parcel in question. As such, there is no opportunity to acquire land in the vicinity of the parcel.

A sale of the parcel would increase the balance in the School Land Bank Fund, which could be used to acquire property with higher revenue generating opportunities in the future. Such a transaction would enable the Commission to generate more revenue for CalSTRS. Accordingly, staff recommends that the Commission find that pursuing the conveyance of the San Benito County Assessor Parcel Number 027-160-011 is in the State's best interests.

Figure 2. Land-locked School Land Parcel



OTHER PERTINENT INFORMATION:

1. Approval or denial of considering a potential conveyance of School Land is a discretionary action by the Commission. Each time the Commission approves or denies consideration of an application to convey school land, it exercises legislatively delegated authority and responsibility as trustee of the State's school lands as authorized by law. If the Commission denies the consideration proposal, the Applicant will have no right to the property.
2. This action is consistent with the Commission's 2021-2025 Strategic Plan to maintain fiscal integrity through transparency, accountability, and efficient and effective management of the revenue-generating portfolio.
3. Considering an application for conveyance of Assessor Parcel Number 027-160-011 is not a project as defined by the California Environmental Quality Act because it is an administrative action that will not result in direct or indirect physical changes in the environment.

Authority: Public Resources Code section 21065 and California Code of Regulations, title 14, sections 15060, subdivision (c)(3), and 15378, subdivision (b)(5).

RECOMMENDED ACTION:

It is recommended that the Commission:

STATE'S BEST INTERESTS:

Find that considering an application for conveyance of State-owned school land is in the best interests of the State.

AUTHORIZATION:

Direct staff to engage in negotiations for the conveyance of State-owned school land in San Benito's County, Assessor Parcel Number 027-160-011 and that such negotiation for conveyance is in the State's Best Interests.