

NOTES ON ROLLCALL AT THE
WESTERN STATES LAND COMMISSIONERS ASSOCIATION

July 17, 2006

PRESIDENT OF WSLCA REPORT

Kevin Carter thanked WSLCA for the opportunity to serve for 2 years. His focus as president was fixing the land exchange process and raising the recognition of the association. He has worked hard on both issues. The National Governor's Association has adopted a resolution pushing for land exchange reform.

(States were called from largest to smallest in terms of energy consumption per person.)

ALASKA

Gov Murkowski has low numbers in polls. He is trying to get a natural gas pipeline installed and is trying to renegotiate the taxes on oil and gas. They have serious interests in wind energy between Anchorage and Fairbanks. Senator Stevens has appropriated substantial money for BLM complete the Alaska in-lieu and quantity grant selections by 2009, before he dies. There are title issues. Pebble gold and silver mine will be huge; millions have been spent on it, but there is local opposition. It affects the headwaters of the most productive salmon streams.

WYOMING

Lynn Boomgard reported that the Land office made \$174 million, mostly from minerals, this last fiscal year. They are trying to protect surface values and water while still developing oil and gas. They have tried to increase public transparency. A large ranch was given to the trust. They would like to sell or trade certain scattered parcels. They traded for land near Ft Kearney and got some land of historical and other values. They now have to sell land because there is a statutory limit on how much land they can have. Wyoming needs a public education process to educate the public at large that the lands are not public and public access and use will have restrictions. Lynn reported on the work of the Task Force. There has been active participation; she anticipates bipartisan support for a budget supplemental because of the task force work. They have legislative authority to use up to 1% for capital investments.

Secretary of State Meyer shared that there is a disconnect because the legislature does not really understand what the land office staff does and he sees that as part of the problem. Revenue is going crazy. They have land locked in Teton wilderness worth over \$100 million for 1300 acres. He spoke in support of the trust not being public land.

LOUISIANA

No one was present.

NORTH DAKOTA

Gary Preszler reported increases in oil and gas production, and said they had inadequate pipeline capacity. They have lost royalty because of the pricing differential because they are getting less for their oil than Texas. There are also processing inadequacies. Their office has received a grant from the Department of Energy and are exploring the production of coal bed methane (CBM) production from lignite coal. They will inject CO₂ as part of grant. North Dakota is excited to be on the front burner on this new technology and research.

Constitutional Measure #1 will be before the voters this fall. It will allow distributions to the beneficiaries to be based on total return. If it passes, they will have to go to Congress to change their Enabling Act. Their office is exploring wind energy, but they still don't have turbines on trust land.

TEXAS

Jerry Paterson reported that the Texas Land Office is also responsible for the veterans. He has increased the veteran homes and loans to veterans for home purchases. Texas will get \$240 million for coastal mitigation enhancement because of their coastal oil production. The Senate just passed a bill for coastal projects, including coastal erosion. Texas is making about \$35 million each month, mostly from off shore oil and gas. The Texas coast was saved for Texas when they when joined the union. The land office is getting into direct investment in real estate and in wind farm development. He said he likes to tell people that they are "breaking new ground on breaking new wind." Coastal wind farms are expected to generate about \$27 million for the one near Galveston and over \$100 million on the one near Padre Island. They made some mistakes on their first wind farm leases and have done a better job on the next ones. He offered to share what Texas has learned with other states. The birding community has some issues with the wind farms but he just tells them the turbines can be the first line of defense on avian flu. The bird community does not have a sense of humor about his jokes. The word "politics" comes from "poly" meaning many, and "tics" meaning blood suckers. The legislature is full of idiots; if it wasn't, it wouldn't be representative government.

OKLAHOMA

Parry Shoffner said the legislature tried to take income from energy and put in in people's retirement, but that crazy idea was stopped. The land around Lake Texoma is being developed, about 3,000 acres, and they expect it to be very valuable for the trust.

ARKANSAS

Mark Wilcox reported that their Lt. Governor had just died from leukemia. Mary Sue, his administrative assistant, will be our contact person for WSLCA when he becomes president of the organization. Arkansas does not often have a case go

to the U.S. Supreme Court. They have one now and it involves his office that sells tax delinquencies to raise money for the schools. In this case, his office sold some land after notifying the land owner repeatedly via registered mail, even though the registered mail came back. They had to pay a lawyer in D.C. \$75,000, and they lost. They had a theft in their office and had to polygraph the employees. It turned out to be one of his employees which hurt him, especially when the employee had no remorse. He views his office staff like family. It was even worse when the court gave the person a felony conviction, slapped their wrist with a small fine, and then the employee began collecting unemployment. The Arkansas land office is really a collection agency for schools.

MISSISSIPPI

Gerald McWhorter gave a very somber report on the year in Mississippi and the impact of the hurricane on his state. The coast is a clean slate. Whole communities have been lost. He gets lost because all landmarks are gone. The dunes and barrier islands are gone and vegetation is dead. Mississippi lost about 25% of their Section 16 timber. The casinos closed for 4 months. Casinos are now allowed to operate within 800 feet of waterline. One casino landed on a home that was 250 years old and destroyed it.

MONTANA

Tom Schultz said their priorities are fiduciary duty, leadership development, and stewardship. Forest fires are raging. It has been a banner oil and gas year with income of \$100 million of which half is oil and gas. Their land bank is poised to sell 20,000 acres. They will be using the funds from the sale to buy replacement lands of 22,000 acres. Montana is changing and people are becoming concerned about lands being locked up. Big money is coming in and access is being denied. Montana is primarily selling grazing scattered sections and acquiring agricultural land which will triple revenue. They are seeking political support for what they are doing. They have been working on a land exchange with the Forest Service using congressional funding, and they expect success. Mr. Schultz stressed the importance of relationships and treating everyone well. He goes to lunch with federal employees frequently, and he attributes his success on the land exchange to developing the relationship. Montana has 13 wind turbines with \$75,000 annual revenue where before they got only a few dollars. Game birds don't fly that high and other types of birds fly over the turbines. Montana is working on developing mutual access across federal and state lands where the state gets access across federal lands and the federal government gets access across the school lands using cooperative agreements. When access is acquired, it is for the public instead of just access for the trust. They have had navigable water issues including a case that raises issues including who gets to decide the location of dams and whether state can charge rentals which may be as high as \$40-50 million in revenue. The decision also has to be made on where this dam revenue will go. The Attorney General is pushing for the revenue stream going to the permanent school fund. The case will likely go to the Montana Supreme Court. Asset management is an important issue.

IDAHO

No one was in attendance.

NEW MEXICO

Pat Lyons has resolved some 130 illegal homes in trespass on trust land. There are 100,000 acres proposed for wilderness, and the land commissioner is working on a land exchange. They continue to move forward on their land development projects. A record \$495 million was made this year from agricultural leasing at \$0.96/acre, commercial developments at \$120/ac, and oil and gas at \$200/acre. These enormous increases in revenue have been accomplished with the same number of employees. He believes is better not bigger government. The election for land commissioner involves 3 former land commissioners—Ray Powell, Jim Baca, and himself—plus some others. In the Democratic primary Ray Powell lost by 1500 votes to Jim Baca. Pat Lyons is the only statewide elected Republican.

NE

No one was in attendance.

MINNESOTA

Bill Grice (may not have the name right) said Minnesota received \$34 million from the federal government primarily to acquire lands for wildlife and forests. They are working on easements with Boise Cascade. All of the easements they have acquired provide for public access. They have scheduled 3 land sales. They have a growing interest in deriving revenue from aggregates. They have in-holdings within state parks and are working to move out of those areas particularly on the state parks. Minerals make the most money. Minnesota does not have as much wind energy as some other states but they are working on developing it. As a state they have a legislative mandate for 20% of the revenue to be derived from renewable energy by 2020 and he believes there will be strong support for developing wind energy.

WISCONSIN

No one was in attendance.

WASHINGTON

Doug Sutherland has 1400 employees plus inmate crews. In the early 1990's, the spotted owl issue came up. There have been long term negotiations, and ultimately the legislature created statutes from the negotiations requiring management plans to be developed on 9.3 million acres that includes federal, state, and private timber lands. The habitat conservation plan also includes fish species. Finally in June 2006 final documents were signed for management of these forest lands. Their Sustainable Harvest program on trust lands has been adopted. They were sued which slowed things down. The environmental plaintiffs

won and then immediately came to the Department of Natural Resources and asked to discuss settling lawsuit. Ultimately, it was settled and dismissed because the environmental community had been so focused on the timber harvest prior to the suit that they had not bothered to understand what was being done to make the forests harvest sustainable and to improve the land. At the last board meeting long time forest plans were adopted. Now they can implement plans. Last fiscal year they generated \$375 million. They are working on exchanges out of the checkerboard ownership areas. They got tired of working on exchanging with the federal government and so they are concentrating now on exchanges with state and private people. There has been some recent interest in oil and gas exploration in Washington.

SOUTH DAKOTA

Bryce Healey reported that he is in a tough race with numerous opponents. The Dakota Minnesota coal train needs to cross trust lands which will cut up ranches. It is quite controversial, and his straddling the line and working to negotiate a solution may backfire on him at the election. Kurt Johnson, former Land Commissioner, has gone to work for Shell Natural Gas. During Kurt's tenure as Land Commissioner, he lowered royalty for companies that increase their exploration, and now he is trying to put off any decision until after the election. Sex was the main emphasis of the legislature, including abortion and homosexuality.

UTAH

Kevin Carter reported on a one year long legislative audit. There findings were very critical of the management and bonuses at the Trust Land Administration. In the end the agency got a 40% budget increase. The solid relationship with their beneficiaries has been crucial to their success. Legislators took the auditors to task instead of giving the auditors deference, as was customary in the past. In the proposed Utah land exchange the most contentious issue is valuation. The exchange relinquishes scenic lands and will acquire un-leased mineral lands. The Trust Lands Administration is using a unique approach. Only surface values of the land will be valued; SITLA will continue to pay the federal treasury their 1/8th royalty; and the trust will get any revenue stream that exceeds the 1/8th royalty. He believes that they can get a royalty rate higher than 1/8th. Strangely enough, the Democratic staff was not concerned about the revenue stream to the national treasury but wanted to acquire additional sensitive lands. The agency has been active in land development with \$25 million of trust dollars being invested in improvements to the land over the last 7 years. Real estate development has brought in \$40 million. Off Highway Vehicle (OHV) use is out of control on some of the lands, but the agency wanted some order so they got legislation passed for \$1.50 per vehicle license. The money was used to pay for county easements that also guaranteed OHV use of the easement, clean up abuse, and purchase easements for OHV use. In Utah the federal government has declared many federal lands to be sensitive, and they allow no surface occupancy. The trust agency leases minerals and allows the oil and gas

companies to drill directionally from the lands and because the lands are unitized the trust can receive royalty.

OREGON

Louise Solliday is the new director of the agency, and this is her ninth week in the position. The settlement on the grounded ship, the New Carisa, will reimburse the land fund for the costs they have incurred. The ship will be moved. Oregon's primacy on navigability issues was upheld. They have done a study of the Rogue River. Oregon has 3,200 acres of remaining school in-lieu selections, and they expect title to be transferred to 1,000 acres at the first of the year. The selection is located in areas that are expected to grow rapidly. A habitat conservation plan is being worked on for Elliot State Forest which is the Oregon school trust biggest income producer. With the Federal Energy Regulatory Commission (FERC) now taking jurisdiction in the Liquid Natural Gas issue, the process for moving forward is now less streamlined. The Common School Fund in Oregon hit one billion dollars in February. Coal Bed Methane is a possibility, and Oregon is interested in knowing more about CBM production and dewatering. The Governor's race has 7 candidates, including the incumbent. Oregon is working on permit streamlining with one stop shopping as the objective for all permits issued by the agency. The agency will have considerable regulatory responsibility with a superfund site that has been identified on trust lands.

NV

No one was present.

CO

John Brejcha has a 5 member citizen board, appointed by the governor. The new member is Peter ?. Colorado trust land revenue set a record with an increase of 11% over the last year. They have restructured their real estate staff, including adding a GIS planner. Legislation now gives them \$1 million to invest in the trust lands for capital improvements. This investment has been in place for one year and will be on-going for the next 4 years.

ARIZONA

Mark Winkelman said this past year was a record setting year for the income from real estate for the trust. They made \$544 million, including \$133 million for one tract. One of the tracts in North Phoenix brought \$1 million per acre. On another tract, Scottsdale bid \$48 million, outbidding even developers, and they intend to use the land for a parking lot. The real estate market is cooling a bit and home prices are down 10%. The outlying areas have been the ones hurt the worst by the downturn. The agency has several big transactions scheduled for late FY 2007. They have gotten authorization for a 9% increase in the land office budget to \$15.7 million including \$2.5 million for planning. When he took office,

the planning budget was \$8,000. Now they will be able to keep the pipeline full. Forest fires have not been as bad as feared, and the season is almost over. They are working on 6 wind farms. The commissioner wants to be treated like any private land owner whenever trust lands are annexed into a city. He wants to know the entitlements and see and approve the infrastructure. They used to receive about \$600 annually from grazing on 11,000 acres that are near the Goldwater Training ground. They will now get \$72 million from Volkswagen for an attesting ground, that will also be used to test experimental cars without wheels. There are 2 measures for trust land reform that will be before the voters this fall. The initiative was presented by conservation groups and provides self-funding for the agency, a 7 member board of trustees with limited power and with representation including 4 beneficiaries, permission for dedication of roads at no cost, joint venture participation, open space in 3 categories including 360,000 acres without compensation, 400,000 acres that can be purchased at appraised value without an auction, etc. The referendum came from the legislature and was supported by the cattlegrowers. It provides for no board; the planning component is similar; pre 1968 rights-of-ways for free; it has no joint venture provisions, it provides for lands to be purchased without an auction. Generally when 2 ballot measures are on the ballot at the same time, neither passes.

HAWAII

No one was present.

CALIFORNIA

Paul Thayer reported that they are getting 2 locations for liquid natural gas. Fibre optic cables used to be a big money maker, but some companies are going under. The agency is also working on waterfront redevelopment on state submerged lands.

ALASKA MENTAL HEALTH TRUST

Mike Frazier, who is new, reported on coal bed methane.

BUREAU OF LAND MANAGEMENT

No one was present.

CLASS

The WSLCA was thanked for all their help on the Sonoran research project and the CLASS update on their revenues. CLASS's progress in the last year was reported on including the challenges on the Sonoran project, the permanent fund research report, the National PTA resolution, and presentations to the Conference of Western Attorneys General next month, the Council of State Governments WEST, the Wyoming Task Force, the Alaska PTA next month, Organizations Concerned with Rural Education, the Nevada State Board of Education. There have also been meetings with the National Education Association.