

CLASS/WSLCA Joint Conference
July 14, 2008
Notes from the WSLCA Roll Call of the States

Oregon

Louise Solliday

Recently, the land board declared a section of Rogue River navigable. They are working to have rivers declared navigable one river at a time.

Regarding the habitat conservation plan on the Elliot State Forest, the public comment process will begin next month. There have been 4 notices of intent to sue under the existing HCP because of concerns with the habitat of the spotted owls.

The land office is pursuing in-lieu land selections, and with recent selections of 640 and 1,600 acres, they are close to completion, with only 20 acres left.

Wind energy is beginning to be marketable, with the first two towers up in the last few weeks.

The permanent fund is holding at \$1.1 Billion, and has been diversified into private equities and more managers. Unclaimed property receipts are up, and that is making up some of the difference in market losses.

Two of the 3 land board members are up for election this year.

The office is working through waterway ownership issues.

There are contractors on site of the New Carissa, and they are in the process of removing the ship. This should be complete by the end of the summer, and the liability will be removed from the school fund.

On the wave energy front, the first buoy sank last fall, but there will be more attempts this summer.

Wisconsin

Doug LaFollette

The Wisconsin Land Board is a small organization. The board consists of 3 elected officials. There are only 80,000 acres left. They produce some revenue from timber. Currently they are working to consolidate scattered 40 acre pieces across the state. The Wisconsin legislature has given them land bank authority, which has been useful. The state as a whole is facing major budget issues.

Washington

Bruce Mackey for Doug Southerland

Doug Southerland is the elected land commissioner in Washington State, and is in a tight race this year. Also, there are several big fires in the state requiring his attention.

There is continuing legal action regarding Blanchard Mountain. There was a plan made to resolve issues, but the department is being sued, and there has been an unfavorable preliminary ruling.

The state is SFI certified on all lands, and SFC certified on parcels. This may open up new opportunities.

The department is pursuing two land exchanges in an attempt to block up some land on the east side of the state. Neither exchange is with the Federal Government; one is with a private land owner and the other is with state wildlife.

The department continues to focus on forest health. There is a habitat conservation plan for the uplands, and they are working on plans for forest practices and aquatic lands. They are also focusing on climate change and the Western Climate Initiative.

The state is undergoing tough budget times, with a \$2 billion shortfall. The agency receives 85% of their revenue from timber sales, and timber prices are low, but pulp prices are up. They have a \$10 million budget shortfall in the office this year, and there is another projected shortfall for next year. This is especially hard, because the total agency budget is between \$80 and \$90 million.

They are also working on a new strategic plan for the agency.

Louisiana
No report

Montana
Tom Schultz

In Montana, the agency generated \$105 million, with 35% coming from oil and gas, 20% from sales, 20% from agriculture, 10% from timber, 10% from rentals, and 1% from recreation. The revenue increase helped offset losses from the market.

There was a recent court case regarding navigable waters that declared that the trust must be compensated for back rents. In this case, all navigable waters were ruled as trust lands.

The price of wheat is up to \$12 a bushel, and because of this, revenue has increased \$10 million.

The agency is utilizing land banking and has sold 20,000 acres. They have selected 12,000 acres of ranches to purchase. Money has been made available through the farm bill for the U.S. Forest Service to purchase land, and this may also allow for lands to be available for purchase by the trust.

After spending 5 years on a land exchange, it appears to be going forward.

The agency has been impacted by a decline in timber prices. Companies are chipping 2' x 4's to get pulp, which is more valuable now.

Minnesota
Marty Vadis

In Minnesota, the trust lands are managed by the DNR. The Lands and Minerals division of the DNR is managed by Mr. Vadis.

The trust has 2.5 million acres left, with an additional 1 million acres with severed mineral rights. An expedited land exchange law has been passed by the state legislature, and the DNR can more quickly exchange land with other state agencies without appraisals.

The state legislature has also passed an expanded trust land oversight committee. Twenty million dollars has been appropriated for the purchase of a new state park, Vermillion State Park.

Timber revenue is down, but mineral revenues are up, with a third consecutive record year.

They are finishing an Environmental Impact Study for a platinum mine. An iron nugget plant is being developed.

An environmental revue on an iron ore mine is being reopened.

There are new minimum standards on conservation easements, and the legislature is questioning the acquisitions of non governmental organizations (NGO's), including The Nature Conservancy, looking to compile standards that include more openness and transparency.

The state is requiring 25% renewable energy by 2025.

North Dakota

No report

Mississippi

Gerald McWhorter

Mississippi has a new Secretary of State (who also acts as land commissioner), Delbert Hoseman, who was a real estate attorney. Secretary Hoseman has great ideas on improving management of section 16 lands. All leases are now available on the internet for viewing and searching. Improved attention is also being paid to timber management, which is currently under the state forestry commission. Additional experts are being hired to monitor this commission.

The casino industry is still recovering from Hurricane Katrina. Most casinos are back and doing well. Costal recovery is still underway. The Federal Base Realignment Commission has closed a naval station in Pascagoula, and the land has reverted back to the state, which has negotiated a lease with Northrup-Grumman.

Colorado

John Brejcha – Acting Director

Colorado has a 5 member citizen board appointed by the Governor. John Wilkes, former Land Commissioner, passed away in February.

The former director left in mid-April.

A new income record of \$71 million was set in FY '08, mostly because of oil and gas development. The agency continues to diversify its assets, selling off some sections and investing the money from the sales in ranches. They are also purchasing commercial property. They have created an investment and development fund, with \$1 million of income annually being reinvested in land. This development fund sunsets this year, and the agency is looking to renew at \$5 million a year. There has been over a 400% return on some of these investments previously.

Arkansas

Mark Wilcox

Mr. Wilcox introduced his staff. He reported that his office is facing continued legal challenges, “being sued every day, and losing half.”

Oklahoma

Keith Kuhlman

The good news from Oklahoma is that oil and gas income has set a record for the third consecutive year, with an income of \$104 million for FY '08. The bad news is that market investments are down.

Wind energy development continues, with 20,000 to 50,000 acres being considered for new wind leases, and 8 leases in the works. The trust guidelines on leases for wind producers are somewhat prohibitive, so trust lands are usually the last resort.

There is a law suit on a land exchange that the agency made with a private party. The suit is challenging the state's authority to exchange land.

Agricultural income and commercial property income both increased this year.

Wyoming

Susan Child

The Wyoming Office of State Lands has a 5 member board comprised of elected officials. The office manages 4.2 million acres subsurface, and 3.2 million acres surface. There is a \$1.6 billion balance in the permanent fund. Trust lands generated \$181 million in FY '08, with \$167 million coming from oil and gas.

There are problems because of sage grouse. The agency is working on a core population area strategy to maintain habitat and populations, and hopes to adopt a statewide approach. There are 40 core areas across the state, and they hope to focus on maintenance and enhancement of habitat. This proposal has been approved by US Fish and Wildlife.

Wyoming is beginning negotiations on wind energy.

California

Barbara DuVall

California is facing major challenges, including fires, no current state budget, a huge deficit, and drought.

The agency is undergoing several projects, including offshore development of wind and wave energy. There are some pending wind and solar projects on school sections. The rural communities in California continue to be unhappy with federal interference.

The agency is considering greenhouse gasses, and climate change.

Nebraska
No report

New Mexico
Patrick Lyons

The agency had record revenue of \$510 million this year. Most is from oil and gas income. They are working to reclaim abandoned oil sites, and looking for uranium leases. Potash revenues are up. They are still looking for new oil reserves. The balance in the permanent fund is \$11 billion. Investments are down, as is real estate revenue. Agricultural leases are doing better.

There is a problem in the Commercial Division. The Attorney General said some leases weren't ratified or approved. This is affecting some business leases. The Department of Lands is fighting the Attorney General on this issue.

The department is completing a land exchange with Union Pacific in the southern part of the state. They are working on the first wind/solar lease sale in conjunction with geothermal. They are also working on a wilderness exchange.

The state of New Mexico will be greatly impacted this election cycle, with a new senator, and 3 of 3 new congressmen.

Hawaii

WSLCA reported that Hawaii is interested in becoming current on dues. All are hoping they will participate again.

South Dakota
Jarrod Johnson

South Dakota had a record year. Their surface leases are 98% grazing and 2% crops. The state manages 5.2 million acres subsurface. The state is getting close to having sub-surface outperform surface. There are many energy projects under development.

Nevada
Jim Lawrence

Mr. Lawrence introduced himself as the new land administrator. Most of the lands were disposed of in the early 1900s. The state has 2500 acres left, with the most valuable property in the Carson City foothills. The agency is trying to rezone the land from NOS (Natural Open Space), but this gives a bad perception. They are also working on navigable waterways, proposing whitewater parks on the Truckee River thru Reno and Sparks. They are also working on an industrial park next to the prison, using prison labor.

The office also serves as land agent for all agency lands, and a new National Guard facility in Clark County, with the land conveyed from the federal government. They also have a great commitment to Lake Tahoe, as the lead agency for restoring water

quality and environment. They are also working on conservation easements to preserve ranching/farming lands. Their budget is on a biennium, with a 7.5% cut in the last biennium and a 14% cut projected in next biennium.

Alaska

Rick Thompson

Alaska DNR – Mining, land and water

The state of Alaska is facing severe budget problems. This year, the problem is too much money. There was a rise in oil prices. The conservative governor required all agencies to give 3.5% of budget back.

The state is working on a gas line project. Also, there is a gold and copper mine that is facing fierce opposition, with the opponents spending millions to stop it.

Idaho

Kathy Opp

The agency is focusing on PR and education efforts, with a new DVD. They are participating in a forest asset planning effort at the ground level. There is excess stocking of timber-lands. The bulk of the income comes from timber harvests, with \$60 million of revenue a year. They have done an analysis of the agency's commercial property, and have implemented a deferred maintenance assessment. The agency is also foreseeing a retirement phenomenon, with 40% of the agency retiring in the next 5 years. They are focusing on recruitment and succession.

Texas

Jerry Patterson

The State Office of Education manages the equity portion of the portfolio. The Land Office is investing the real estate portion of the portfolio directly in real estate and real estate funds. They are focusing on targeting returns, looking for nothing less than a 15% annual Internal Rate of Return (IRR) on the \$75 to \$100 million in real estate funds. They have made a large cash commitment on this issue, and if other states are interested, they can contact the Texas Land Office for more information. There has been a great controversy regarding the Christmas Mountains because the public doesn't understand the trust endowment. They are focusing on offshore lands because of the 9 nautical mile boundary. They are also focusing on renewable energy, with offshore wind leases. The state had its first offshore utility solar lease farm.

In regards to wind leases, the agency is working to figure out what comes first – transmission or generation? They are trying to develop a procedure to have them developed at the same time.

Arizona

Jamie Hogan

The agency is hoping to increase their stake in the mineral market, specifically with uranium and potash. The state is struggling because of the down real estate market. Because of the state budget deficit, the office took a \$20 million cut. The agency is focusing on renewable energy, with the first two wind energy leases. They are working to come up with an energy auction procedure for solar leases.

Recent legislation has required the agency to now manage land around military bases. This has provided unique challenges.

The voters in Arizona are again considering trust land reform, for the sixth time. The reform efforts failed last year. This year, they have made the initiative much simpler. In the past, the reform included a constitutional amendment and enabling act change, also. This year's reform is for a constitutional amendment only, and will make the agency self-funding. It has been controversial. Regardless of the results, this may be the last time reform is attempted.

Utah

Kevin Carter

The agency is working on a 90,000 acre land exchange, and, this week the house may act on the proposal. There is no opposition to this exchange. It has been in progress for 5 years. In comparison, the state has completed an administrative land exchange that took 6 years and 3 appraisals.

Recently, the agency sold land for the state Department of Natural Resources during a trust land auction.

The governor has proposed a 4 day workweek that will take effect on August 1st. In the past legislative session, there were no bills directed toward the agency. In general reform bills, the agency was able to exempt the agency from the provisions of the bills.

The agency received a \$16 million budget for capital improvements.

There has been legal action challenging the agency's ability to raise rents. In a motion of summary judgment, the court ruled that the agency does have ability to raise rents, but the amount of increase was questioned.

CLASS Report

David Terry

CLASS has been in effect since 2001, and is growing. We appreciate our great relationship with WSLCA. Idaho has been incredibly helpful and generous with the CLASS conference this year. The directors, Margaret Bird and Paula Plant, were introduced, as were the Board of Governors.

The emphasis from the land commissioners on trust and endowment principles is appreciated. CLASS should work with land managers to continue to educate the public on these principles. Hopefully, this will make the job of land managers easier.

Oil issues affect all states. We are all either producers or consumers. There was a discussion of the oil price-per-barrel. David shared his vision of energy production in the future.

CLASS works to educate education leaders on issues, so they can help land managers influence policy makers.