CLASS Notes

First Edition
Fall 2002

Homework

1. Check the website and answer the Question of the Month
2. Forward CLASS Notes to colleagues and remind them to sign up on the website
3. Save July 13-16 for the Third Annual CLASS Conference—Big Sky, Montana

www.childrenslandalliance.com

Children's Land Alliance Supporting Schools

How Permanent is Your Fund?

Predictable as the sunrise, when the nation encounters an economic downturn, you will find legislatures scrambling and searching to find revenues to fill the gaping holes in state budgets left by anticipated tax revenues that failed to materialize. Such an exercise was played out in every state in the union this year. Legislatures that were not scheduled to meet for budgetary purposes this year have been called into session multiple times to consider how to balance state needs with available resources.

As budget leaders sweep the corners and reexamine every appropriation, nothing escapes the magnifying glass. Every budget is on the table for reconsideration, though money in the budget has been earmarked, encumbered and often already spent. Pots of money dedicated to specific needs, often statutory and sometimes constitutional, become magnets for the attention of corner-sweepers and budgetary sleuths.

It is not surprising that sizable sums flowing to and being held in trust in the permanent school funds are tempting to appropriations leaders. The discussions related to use of trust funds have taken on interesting twists as policy makers are reminded of their inherited fiduciary responsibilities to trusts protected constitutionally and through enabling acts.

The Oregon Experience

In Oregon the discussions began two years ago. House Joint Resolution 64, introduced in 2001, proposed an amendment to the Oregon Constitution authorizing the use of principal in the Common School Fund (permanent school trust fund) if three-fifths of the members in each house of the Legislative Assembly declared an economic emergency and voted to appropriate moneys. It also required the Legislative Assembly to repay the "loan" within six years of the end of the economic emergency. The proposed amendment required a public vote at a special election but failed to pass the Legislative Assembly.

In Oregon the legislature was facing an $846 million shortfall in January of 2002. Numerous proposals were on the table. Governor John Kitzhaber voiced his strong opposition to one proposal, stating: "The Common School Fund IS NOT a rainy day fund. The interest on the corpus is intended for schools. Borrowing from the fund is borrowing from the future. It begs the question of how you'd re-capitalize the fund."

The discussions surfaced again in the spring. A new bill proposed borrowing $120 million from the Common School Fund to be paid back over time at a cost of $135.5 million from lottery dollars. The "borrowed revenue" was coming from unclaimed property, that by statute is also a revenue source, but the enabling act does not dedicate it specifically to the school trust. The bill passed the Legislative Assembly but, as promised, was vetoed by the governor.

The legislature was called back into another special session in the summer. Another bill was introduced - a variation on prior bills. House Bill 4055 directed the Division of State Lands to distribute from the permanent school trust "no less than $17,700,000 from sources required to be placed in the Common School Fund (CFS) by statute." The bill had no "repayment provision". In early July, this bill also passed.

In testimony before Governor John Kitzhaber on July 19, 2002, Ann Hanus, Director of Oregon Division of State Lands explained the impact the legislature's decision would have on schools. "Removing this amount from the CSF will diminish the earning ability of the CSF in future years with a direct impact on the revenue flowing to K-12 public schools. For example, assuming even a modest five—percent annual return on CSF investments, schools would receive $885,000 less per year due to the reduced body of the CSF. And, over time, this annual loss will accumulate and be permanent."
The bill became law without the governor's signature.

Montana's Approach

Montana, facing a $45 million deficit, met in a pre-session to discuss their options. A proposal to replace almost three million dollars in General Fund moneys, from school trust timber was offered in House Bill 4. Revenues from timber harvest on school trust lands are statutorily dedicated to a school technology program that is distributed on a per pupil basis annually to districts for technology purchases. As a renewable resource, the annual revenue is distributed directly to schools rather than a deposit in the permanent trust fund.

In an editorial printed in the Independent Record on July 30, 2002 titled, "A School Cut Not Likely to Work"; the constitutional problem was highlighted.

> "Among proposals for bolstering the state's general fund budget is a plan to extract $2.9 million that schools normally would receive from income on school trust lands. The problem is that the constitution expressly requires that those funds be used by public schools.
> Last week the legislative staff didn't think that would be a problem. They'd just put the $2.9 million in the school account as usual. Only then would they take $2.9 million out of the account for use in the general fund. It isn't too difficult to predict how the courts would react to that little piece of slight of hand."

All Montana education groups opposed the measure. Linda McCulloch, Superintendent of Public Instruction and State Land Board member testified before a legislative committee requesting a "no vote",

> "The Office of Public Instruction opposes this cut. School trust lands were given to the state of Montana by the federal government for the benefit of the school children of Montana. The Legislature further targeted revenues from timber harvests on school trust lands for the benefit of schools through the purchase of classroom technology…The Budget Office is now proposing that the State suspend this trust obligation and cut this dedicated revenue source from Montana schools. The Office of Public Instruction believes this violates our trust obligation."

This bill, supported by the republican majority and Governor Judy Martz passed the special session.

"Relief" for Oklahoma Schools

In May, education leaders in Oklahoma learned that $25 million would be cut from school budgets in the operating fiscal year. This figure in addition to prior cuts of $34 million the legislature had already carved away placed schools in a difficult financial spot.

Responding to the concerns of some superintendents, the Oklahoma State Land Trust Commissioners looked to school trust land revenues for relief but met with some frustration learning that the $1.06 billion permanent fund corpus was constitutionally protected and could not be touched. Oklahomans have watched the fund grow from $733 million in 1994 to over a billion in 2002 after the people of Oklahoma gave investors the approval to invest in stocks. "We are caught between a rock and a hard place. We can make a lot of money in the stock market but we can't do anything with it," mused Clifton Scott, land commissioner.

The Oklahoma Land Office distributes interest and dividends from the constitutionally protected permanent fund monthly to school districts. Growth in the fund has increased the annual distribution to schools from about nine dollars per student in 1975, prior to the energy boom and change in investment strategy, to almost $70 per student each year.

A solution to the school funding dilemma came forward. Moving out of the stock market and back to bonds could increase distributions. The move would increase distributions initially and then level off, eliminating the steady increase enjoyed in recent years. The Oklahoma Constitution forbids "diminishing the trust." School Land Trust officials warned that actual losses would be incurred when stocks are transferred to bonds. Paper losses may also have been incurred when the market fell. Scott questioned, "What is our fiduciary responsibility? For kids twenty years from now or the kids right now? We've got schools needing pencils, now."

On May 26, 2002 the commissioners voted to send 60 percent of the FY'03 distributions to schools in July, a $23-25 million distribution.

Ernest Hellwege, secretary of the land office, explained, "It's strictly an advance. It's not extra money." Schools will pay back the "loan" by going without the monthly distribution for several months. In order to produce the distribution, the Land Office had to liquidate stocks at today's market rates.

Oklahoma Drought Relief

Drought has stricken Oklahoma, as it has in much of the western United States. Grazers in the Oklahoma Panhandle are seeking relief from the land commission claiming 2002 to be the worst drought Oklahoma has experienced in 100 years.

Minimum lease bids are determined on the quality and quantity of grass. Five-year leases in the Panhandle are valued at between $3-7 per acre. The grazing capacity on some sections was significantly reduced in 2002 over prior years. Some areas could not be grazed at all.

Commissioners accepted a plan to reduce the rent for next year proportionate to the stocking rate of the prior year even though a 1955 attorney general's opinion stopped a similar attempt. An article in the August 21, 2002 edition of the Oklahoman titled "State Land Office grants rent relief in grasslands area" explains the plan.

> Under the plan approved Tuesday, he (Ernest Hellwege, chief administrative officer for the Land Office) said, a rancher who has had to reduce the stocking rate on his land from 200 to 50 head would see a 75 percent reduction in rent next year. That figure will be adjusted for the time of the reduced stocking and also depending on grassland recovery next spring…
>
> Hellwege said the action Tuesday appears to go against an attorney general's ruling in 1953. The attorney general ruled in a similar situation that once an agreement is made, it can't be altered, Hellwege said…
>
> "This could be challenged" in court, he said, but commissioners "felt action needed to be taken today..."
>
> Hellwege said school districts will be losing some money, but the plan is necessary both in fairness to ranchers and to protect the grass for future revenues.

Ultimately the decision was made to grant the relief in rebate checks to the grazers rather than a reduction in upcoming rent. The grazing land in question covers about 281,480 acres and produces an average of five dollars per acre. However, with the threat of a lawsuit in the wings, the attorney general's office asked that checks to grazers be held until an opinion from the office could be researched and issued. The opinion had not been issued at the writing of this article.

Budgets for 2003

With current revenue projections, it is anticipated states and school budgets will be looking at decreases once again. Policy makers have had a chance to share how the budget crisis of 2002 was "solved" from state to state. Pressure to use school trust funds will likely surface in other states with a unique and updated twist in 2003. The discussions have already begun in Colorado. In the words of the scouting community, "Be prepared."

Lessons Learned in Oregon May Help Other States

By Ann Hanus, Director, Oregon Division of State Land

The old adage to be careful what you wish for, because it may come true, certainly applies to the Common School Fund in Oregon.

We have long recognized that few Oregonians, particularly the beneficiaries in the education community, knew about the Common School Fund or understood the mechanics of state lands and programs generating money for public schools.

This year, our wish came true.

Through five special sessions of the legislature, the Common School Fund has been in the limelight as legislators have looked at every aspect of the fund. They have proposed numerous withdrawals and loans to help plug a growing budget deficit. Newspaper headlines and editorials have regularly referred to the Common School Fund. Borrowing from the fund even became the subject for an editorial cartoon.

We've learned a number of things during the year that may apply in other Western states.

Foremost, we have learned that we must work actively and constantly to educate people about the fund. As states face budget crises and as the funds grow in value, the funds will be tempting pots of money to solve all types of problems.

In Oregon, we used the increased attention as a "teachable moment" and quickly went into action. We obtained legal guidance from our state attorney general's office in anticipation of questions about using or borrowing fund resources. Oregon's fund is a complicated mixture of different types of revenue flowing into the fund. Each type has different restrictions on its use. The advance legal research helped us answer questions quickly.

We developed new materials and improved existing items that explain the source and use of funds. We expanded our Web site pages on this topic and created a PowerPoint presentation.

We redoubled our efforts to reach out to the beneficiaries of the fund—the education community.

We called on CLASS representatives to open some doors for us. We've met with executive directors and lobbyists for education associations, teacher unions and affiliated groups. We were able to convince a couple of these people to attend the CLASS gathering in Phoenix this summer. We've given presentations to a statewide gathering of school business officials. I'm scheduled to speak at a meeting of school superintendents and the annual convention of the Oregon School Boards Association. And we hope to convene a one-day workshop for Common School Fund beneficiaries before the end of the year.

As all states prepare for fall elections, it's important to get information to legislative candidates and high-ranking statewide officials. In Oregon, we learned that it's too late to start educating when an issue arises. There are too many people to contact. If they have misconceptions about the use or purpose of school trust funds, it can take a lot of effort to try to respond. As you have new board members or trustees, I recommend that you give them a thorough and early grounding in the history, functions and challenges related to your fund.

I believe the other major lesson we learned was to connect with CLASS and other Western states to take advantage of their experiences with similar situations. We can share the results of legal research and learn what outreach efforts have worked elsewhere. CLASS can serve as a helpful clearinghouse for this information. It's important that we share our successes and failures.

I believe that stronger partnerships with beneficiaries and our state's legislators and statewide elected officials can make a difference in how we manage our lands and trust funds. Those differences can translate into significant increases in contributions to funding of schools and other programs in each state.

Prudent Investment of School Land Trusts

Herb Johnson, Investments Director, Oklahoma School Land Trust

The importance our forefathers placed on education was clearly demonstrated by their action in establishing a system for encouraging financial support for public schools. When states were admitted to the union after the original colonies, the federal government set aside liberal amounts of land to be held in trust by the states for the support of public schools. It soon became evident that the politicians could not be trusted to leave the land grants alone for the intended purpose however, so Congress gradually placed requirements on the states, which had to be accepted as a covenant accompanying the land grant. Nearly all of the states west of the Mississippi River now have provisions in their constitutions, which protect the inviolate nature of the trusts in perpetuity.

At the time, it was normal for land, and the income there from, to be the basis for establishing private endowment funds; however, the 20th century brought increasing use of financial securities, which provide greater liquidity. In 1969, the Ford Foundation sponsored two important studies which became the basis for the American Bar Association proposal in 1972 of a "Uniform Management of Institutional Funds Act." By 1992, when Oklahoma finally passed the uniform act, 3/4 of the states had passed the act, so it is now an established legal principle that a total return objective and a spending policy that is prudently based on total return, represent appropriate investment policies for all endowment funds. In effect, a portion of the capital gains can be distributed as well as the current income. Unfortunately, it requires a constitutional amendment for Oklahoma to use this spending policy because the state constitution specifically states what is to be distributed to beneficiaries.

I believe that all of the state trusts have similar restrictions on distributions unless the states have already passed a constitutional amendment. Such a restriction effectively prevents the Trustees from performing one of their most important tasks - to preserve equity among generations. If the Trustees don 't act as guardians of the future against the claims of the present, who will do it?

Asset Allocation

<u>Most of us have too much real estate in our trust assets, especially too much grazing land,</u> because of the origin of our trust. Diversification is one of the most important principles to follow diligently, provided we do not diversify just for the sake of diversification. Trustees should be spending most of their time on investment objectives and asset allocation, which determines 80% to 90% of the portfolio return. This necessarily involves evaluation of portfolio risks, which should be the main factor driving diversification. One nice thing about real estate is that we don't have people telling us every day how much they will pay us for it, so we don't worry about short-term fluctuation in market values like we do with stocks. On the other hand, real estate is relatively illiquid. There is wide dispersion in the rate of return obtainable with different classes of real estate. The following classes generally provide satisfactory returns in the order of preference: (1) timberland, (2) commercial, (3) irrigated cropland, and (4) dry cropland. Grazing land is generally unsatisfactory. Transition land generally provides unsatisfactory current income, but if it's in the path of imminent development the total return could be very attractive. Timberland is particularly attractive as a diversification asset because about 3/4 of the total return is from biological growth rather than market forces. The asset allocation to real estate that is desirable depends upon the type. If the real estate comes from the original grant land, you're lucky if it's timberland. If it's grazing land, it should be sold and the proceeds invested. Improved real estate (e.g., an office building) can be an attractive investment, which is usually leveraged about 50%. REIT's are more liquid because they are sometimes actively traded; however, they are generally heavily weighted to the most active metropolitan areas which are prone to extreme price volatility.

Mineral interests are usually highly prized and should be retained in oil country even if there is no known production from the properties. Oil and gas royalties have provided most of the growth in the Oklahoma permanent trust fund. Oil companies typically hold on to non-producing mineral interests because technological advances have made it possible to find very attractive oil and gas deposits where none were expected.

Trustees should keep in mind that our trusts are in perpetuity; therefore, we have a very long investment horizon. Over any long term we look at in the last century, the total return on stock is about twice what it is on bonds. The Dow Jones Industrial Index rose from about 100 at the beginning of 1920 to about 10,000 at the end of 2001. Bonds are unable to protect trust assets against inflation, pay 5% of market value to beneficiaries each year, and still provide a rapid rate of growth in the trust fund as stocks are.

Helen Keller was asked; "Is there anything worse than being blind?" She replied, "Yes, to have eyesight but no vision." Stocks give us the hope of providing a much more significant part of the educational funding in the future. Stocks represent a long-term investment in the business. Typically, companies pay out only a small part of their earnings as dividends, retaining most of the earnings to reinvest in the company and further increase earnings in the future.

As long as we're stuck with the Constitutional mandate on distributions, we have to search for ways to extract more income from fixed income securities when interest rates are declining. This means taking more risks. When the Oklahoma commissioners ordered our investment committee to recommend ways to increase the distributions despite the increased risks, we recommended the following asset allocation changes: (1) switch not more than 20% of our securities portfolio from investment grade to high yield bonds, (2) switch 7.4% of our portfolio from mortgage-backed securities to a mortgage-backed hedge fund, (3) switch 13.5% of our portfolio from externally managed investment grade bonds to internally managed BBB bonds. The rapid decrease in mortgage rates now causes us to propose reducing our mortgage-backed exposure from 25% to 17% to avoid early repayments at par.

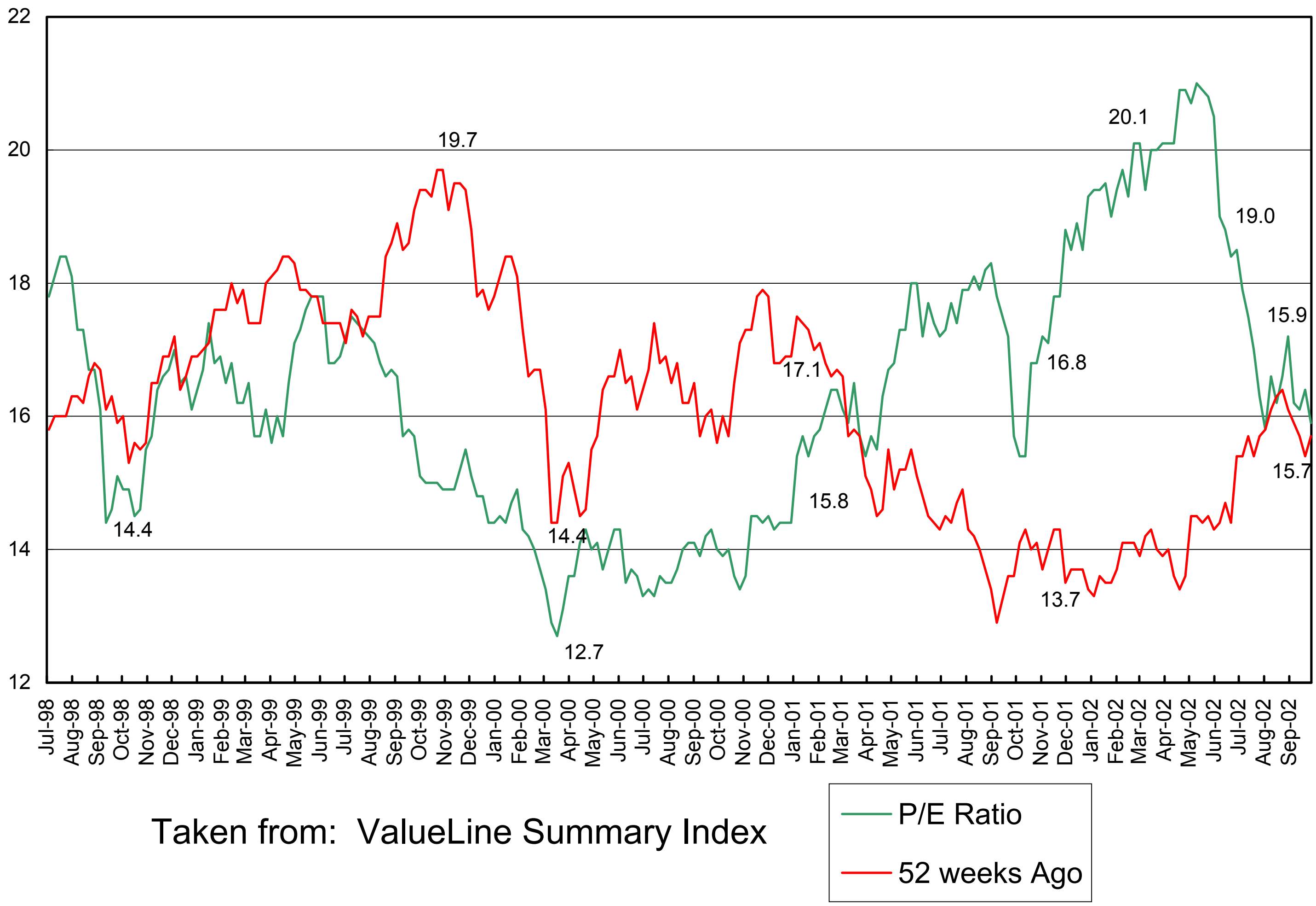
Oklahoma's equity investment is only 34% of our securities portfolio, but it's still tempting to some Commissioners to switch some stock to bonds because of the difference in distributable income. Also, the prolonged bear market is discouraging. We have to stiffen our resolve to maintain a long perspective. The bottom of a bear market is the time to be increasing equity allocation rather than decreasing it. The attached P/E chart can be helpful in evaluating how high the Price/Earnings ratio is relative to recent markets.

At this point in time, I believe a good mix of trust assets, with a 5% distribution policy, would be as follows:

Diversified U.S. stocks	50%
Diversified U.S. bonds	30%
Diversified U.S. real estate	20%

ValueLine Median P/E Ratio Comparison

As of: Sept 27, 2002



Taken from: ValueLine Summary Index

The Apple Initiative

Recorded in our memories and replayed over and over like a familiar ballad is the scenario of education leaders pleading for funding to meet the needs of the increasingly diverse school populations in the west. You, the educator, explain a particular education dilemma and offer a solution. The solution costs money. The Senator reminds you, as if it were breaking news, that the revenue projections don't look promising. There will be no new money for education this year. You divulge how much more it will cost taxpayers if the problem is left untreated. The Senator is sure you are not proposing a tax increase and wonders what program you are suggesting be eliminated to free up funding for the new solution.

Weary of such continual lobbying by teachers and parents about large class sizes and the underfunded needs in schools, a few legislators in Utah decided to take another look at the funding dilemma. Schools in Utah are funded at the lowest per pupil expenditure in the nation while spending a larger percentage of the annual budget on education than any state. Speaker Marty Stephens, Representatives Steve Urquhart and Tom Hatch hired an intern and began researching the issue.

Looking to other surrounding states, the research confirmed what educators already knew. The funding problem is similar throughout the west. The research found other similarities.

- Citizens in Western States are taxed at comparable rates with other states but the increase in education funding over a twenty-year timeframe, on the average, was less that 40%. The rest of the nation increased funding more than 40% in the same timeframe.
- Class sizes tend to be higher in the West.
- Federal land ownership in Western States averages just over half of the state, with federal ownership in some states as high as two-thirds of the state's land mass. The other states combined average is about four percent.

Many people are unaware of the impacts of federal ownership on education funding. The first and most obvious is the loss of revenue from property tax. In addition, the federal government lands are managed largely for preservation and conservation, thus preventing the production of natural resources that would occur if the lands were in private ownership. There is a loss of the revenues from production such as mineral royalties, income tax and severance taxes that would otherwise be produced.

In addition, the enabling acts of western states granted lands to be held in trust for schools. The lands were granted to be revenue producing but because they are scattered among the federal designations, revenue generation for the schools becomes difficult and often the lands generate no revenue at all. The same enabling acts designated five percent of all sales of federal lands as a revenue source to the states, usually dedicated to schools. The proceeds are to be deposited into the schools permanent trust fund. The federal lands have not been sold and thus the intended revenue for each state remains in the hands of the federal government.

In the final analysis, the annual revenue that is lost in the western states is estimated at nearly $6.5 billion per year.

Speaker Stephens has prepared a proposal – Action Plan for Public Lands and Education (APPLE). The first step is to educate impacted groups, the public and policy makers about the results of the massive federal ownership to Western States. Ultimately the plan is to lobby Congress for compensation.

The APPLE power point presentation has been received by a number of policy makers through visits and conferences in recent months.

The proposal also includes a request for improved facilitation of land exchanges to move developable lands into school trusts, where the management mission is to produce revenue. Federal lands could benefit from unified management primarily for preservation and conservation, eliminating the continual conflicts that arise from conflicting management missions on trust lands.

There is growing support for the APPLE proposal in the west, where adequate education funding is problematic year after year. The proposal has met with the anticipated opposition among those who understand the federal funds that flow to Western States in other areas such as Payment in Lieu of Taxes (PILT), water and highway funding and funding for the military. While these funds have little effect on school budgets, the congress will weigh the request for compensation with other financial benefits enjoyed almost exclusively by western states.

The proposal is being refined as various stakeholders provide input and questions arise. The APPLE power point presentation, including the funding graphs is available at www.le.state.ut.us. Click on The APPLE Initiative.

Arizona Ballot 2002
and School Trust Lands

Two important school trust land issues passed the Arizona Legislature and were placed on the 2002 ballot for voter approval. Proposition 300, *Voter Protecting State Trust Land Revenue for Education Funding as Supplemental to Legislative Appropriations* and Proposition 101, *State Trust Land Exchanges.*

Proposition 300 provides protection for the Classroom Site Fund revenue stream. The Classroom Site Fund receives any revenue in excess of $72 million from the school trust. The first $72 million is the amount the legislature relies on annually from the trust to fund the regular school budget. The increasing "excess" is dedicated for classroom size reduction, teacher pay increases, drop out rate reduction, and other direct classroom programs. The language of the proposition protects the revenue stream from diversion by the legislature. The proposition passed with 76% of the votes.

Proposition 101 did not fare as well. It proposed to amend the constitution to allow Arizona to exchange trust lands for other public lands if the land the trust gave up was to be put into preservation status. The land the trust received must be of equal or greater value as determined by two independent appraisals. In addition, all exchanges required public meetings near exchanged lands as well as at the Capitol. Exchanges would allow schools to acquire developable lands and to get out of non-revenue producing areas deserving of preservation.

Some environmental groups painted the proposition as being unfriendly to the environment. Stephanie Sklar, Arizona League of Conservation Voters was quoted in The Arizona Republic, Oct. 14, 2002. "Conservation is not part of the Land Department's mandate. We're funding education by selling our open space. That's a bad deal for everyone."

The 100,000 acres of school trust lands captured in the five Arizona monuments created by President Clinton will stay where they are, for now. Schools will pay for the nation's monuments. The measure failed 51-49 percent.

The Arizona ballot also brought Janet Napolitano to the Arizona Governor's Office. She has served as the Attorney General of Arizona and is the first democrat to be elected Governor of Arizona in two decades. She is expected to name a new land commissioner to the Arizona State Land Department later this year, changing the faces of many of Arizona trust land managers.

THIRD ANNUAL CONFERENCE
Children's Land Alliance Supporting Schools

JULY 13-16, 2003

THE MOUNTAIN INN
BIG SKY, MONTANA
Forty Miles East of West Yellowstone

- Learn about School Trust Lands and and Associated Revenues to Schools
- Meetings with Land Commissioners
- Roll Call of the States
- Experts on Land Issues
  - Real Estate
  - Forestry
  - Oil and Gas
  - Grazing
  - Federal Land Exchanges
  - Environmental Efforts
- Networking
- Beautiful, Cool Mountain Setting

AGENDA at www.childrenslandalliance.com

For Education Leaders in Western States

CLASS Report - November 2002

Plans for the Third Annual CLASS Conference
The Western States Land Commissioners Association (WSLCA) met in July 2002 in Wisconsin and selected Montana as the location for their 2003 annual summer conference. The CLASS Conference will be held in conjunction with WSLCA 2003 Summer Conference in Big Sky, Montana. Big Sky is a beautiful location, just 45 minutes from the Bozeman Airport with hiking/biking trails complete with a tram to make going uphill as easy as coming down. It is just forty miles from West Yellowstone. The Mountain Inn, located across the parking lot from the Huntley Lodge, where the commissioners will meet, has been secured for the CLASS Conference. It is considerably less expensive and a convenient location to encourage some joint meetings with the commissioners.

The conference will be held July 13-16, 2003, with Sunday being a "refresher - beginners course". The regular conference will begin on Sunday evening, July 13. A tentative agenda is available at www.childrenslandalliance.com, under Conferences. Speakers will be added to the agenda as they are confirmed. We will participate with the land commissioners at the Roll Call of the States, selected workshops, an evening barbecue and as our guests one day for lunch.

CLASS Advisory Committee
The CLASS Advisory Committee held three meetings via conference calls this fall. The next meeting will be held in January. Agendas have focused on the 2003 Conference. The input of the group has proved to be significant in organizing and refining the requests of prior conference participants with expectations for the future. The group made the decision to focus presentations on land issues at the Third Annual Conference. The 2004 conference will be directed towards the financial portion of the trust portfolio.

The committee meets about once a month. Items for discussion can be forwarded to Karen Rupp at class@childrenslandalliance.com or 1-801-201-6681.

Federal Grant
Prior to the 2002 summer conference the CLASS directors talked with Senator Bennett's (UT) staff and learned that a request for class funding would need to be submitted by a senator on the Education Committee. The CLASS representatives from Idaho subsequently did meet with Senator Larry Craig (ID) and learned that it was too late for this budget year. Senator Craig did agree to help with an appropriation in the 2003-2004 Congress. CLASS has requested and been granted an extension to the 2002 Education Grant to provide some funding for the 2003 conference. The organization will pursue a grant request in the FY 04 Congressional Appropriation.

The directors are looking for assistance from other sources to continue operating and providing the Third Annual CLASS Conference. If you have an idea of a foundation or private source that could assist in the effort, please contact us at class@childrenslandalliance.com.

State Visits and Organization Presentations
CLASS has been invited to hold a Discussion Group at the Regional Conference of the National Education Association to be held in January in Salt Lake City. Karen Rupp and Colleen Heinz will be the discussion leaders.

Class Directors have been invited to present a workshop at the Colorado School Boards Association Conference in early December.

Ann Hanus and Chuck Bennett held a conference of the Oregon beneficiaries on November 19. CLASS provided videos and prepared a tri-fold CLASS flyer for the conference.

The CLASS Directors submitted a workshop proposal for the National PTA Convention to be held in the summer of 2003. The proposal was not accepted for this year.

Communication
The website has been reorganized to include the information requested at the 2002 CLASS Conference. The directors are responding to requests of CLASS participants relating to school trust land issues in their respective states. This newsletter is intended to update readers on issues surfacing this summer and fall. Input is appreciated as to how effective these communication efforts are for CLASS participants.