

## **Monday, January 5, 2004**

### **Conference Proceedings**

#### **Welcome and Opening Remarks**

– Jerry Patterson, Commissioner, Texas General Land Office

#### **WSLCA President's Address** – Doug Sutherland

**Presentation** – to Ernest Hellwege, former Secretary of the Oklahoma Land Office, for his long service to the Western States Land Commissioners' Association.

#### **ROLL CALL**

Mississippi – not present

Oklahoma – Cliff Scott

- Recognized and thanked Ernest Hellwege for his long service and commitment to the Oklahoma Land Office and for stabilizing the office in a difficult time.
- Introduced the Oklahoma officers and staff from the land office.
- The land office with a staff of 60 operates on a percentage of the proceeds which limits the activity and revenue that can be generated on the land. The land office is requesting an increase in the percentage to 6% for operating expenses in order to provide increasing revenues to Oklahoma schools.
- The permanent fund is over a billion dollars and generates about 40 million dollars a year. They want to change their investment strategy to distribute more to schools.

Louisiana – not present

Arkansas – Mark Wilcox

- Introduced the staff of the land office attending the conference.
- Arkansas will sponsor the 2005 Winter Meeting of WSLCA and encourages everyone to attend.
- Following the 2003 WSLCA winter meeting, Arkansas entered the legislative session. It was a difficult session but the land office was able to maintain the current funding levels in the 2003 session without significant cuts to operating budgets.
- The Arkansas Land Office has been remodeled in the past year.

Texas – Jerry Patterson

- Welcomed the group to Texas
- Explained a proposed change in Texas water law which operates under the Rule of Capture. It allows anyone who drills a producing water well, the right to the water. It has become problematic as large companies are drilling and draining large quantities of ground water. The proposal repeals that provision and allows the Land Office to regulate and sell water from its lands.
- An historic survey error on a large acreage has created a situation where the current owners may not actually own the property that has been in their family for ten generations.
- Coastal erosion mitigation received budget cuts in the last session.
- Working towards off-shore leases for wind energy in the Gulf.
- Royalty income has done well due to the \$30/barrel price of oil and \$6/mcf of gas.

Nebraska – not present

Wisconsin – Doug LaFollette

- Introduced the Wisconsin Land Office Staff.
- Land office has completed few land trades between the land office, the Department of Natural Resources and the Forest Service.
- Completed a timber sale.

- His office is mainly bankers — more than land managers. They made low-interest loans to schools and other entities. They actually made such a loan to Green Bay that mostly benefited the Green Bay Packers to build the stadium.

Minnesota – not present

South Dakota – Bryce Healey

- A special election is forthcoming to replace a congressman and four term governor.
- A Lease Holders Association has filed suit against the land commissioner because state law requires that the land office may not lease in larger parcels than 640 acres. The land office leased an 11,000 acre ranch for about three times per acre what nearby leaseholders were paying on their 640 acre leaseholds. The consolidated lease provided better income to schools consistent with the constitutional mandate.
- Bryce told stories about the pheasant hunt with the New Mexico Land Commissioner and the Governor.

North Dakota – Gary Preszler

- North Dakota was one state without a budget deficit. State employees received a cost of living raise but the legislature then took it back.
- Wind generation has been of interest and is being pursued. To date, they have not been able to resolve the issues of transporting it out of state.
- Requested a grant to determine if there is coalbed methane potential but were not awarded the grant. The North Dakota coal is less mature and they are uncertain about whether coal bed methane can be produced from coal like theirs. They will try again to get a grant.
- A process has been developed to determine where oil may exist in mound formations throughout the state. It is done through satellite imaging and with a seismic overlay. There could be significant reserves in the formations, perhaps the size of the reserves in Kuwait.
- Have received a 30% stock return in the investment portfolio over the last year and none of their managers are involved in the scandals or law suits.

Colorado – John Brejcha

- There have been significant changes in the land office with the former director going to work for the governor.
- John Brejcha is once again the acting commissioner during transition. Britt Weyganet has been appointed as new commissioner by the Governor.
- The Department of Natural Resources and their division have undergone a six-month efficiency and effectiveness study. As a result, the office will be hiring in-house legal counsel.
- A lawsuit involving a \$13 million trust parcel in Vail has settled.
- The office is involved in an exchange with the Forest Service.
- The office will be issuing an RFP for development of the 26,000 acres located at the former Lowry Air Force Base near Denver.

Wyoming – not present

Arizona - Mark Winkleman

- Introduced his staff.
- Primary emphasis has been to operate the land office more like a business.
- The value of the trust is in its urban lands. Auctions raised \$110 million in land sales this year. The parcels were usually auctioned for at least twice the appraised value.
- Additional auctions are scheduled for 2004. The office is looking to change the leasing structure to make the process more customer-friendly and to get the lease terms more in line with commercial leases to increase the revenue.
- Fire damaged a large amount of trust acreage in 2003.
- Planning for 200 square miles of property, east of Phoenix, has become problematic due to budget constraints on the office. He believes this property is worth billions.
- A reform act agreement for trust lands in Arizona has been reached resulting from a working coalition of divergent interests. The agreement will require statutory, constitutional and enabling act changes. The proposed changes will revolutionize the operation of the land office.

#### Washington – Doug Sutherland

- Washington has received a large snowfall after a five year drought. The state is at 120% of normal.
- The state has been working towards a model for sustainable tree harvesting. Pressures of the beneficiaries and environmentalist groups have been the catalyst in combination with a reduction in harvest and market price. There are three million acres of forest land under jurisdiction of the land office. The study is expected to be complete by June 30th.
- The legislature begins this month. Many bills have been filed that will potentially change the operations of the Washington Land Office.
- A difficult issue has surfaced dealing with dredging of the Columbia River to allow vessels to get to Portland. Over time, the spoils from dredging have been deposited on a trust parcel that has altered the riverbed. It has been determined that 235 homes have been constructed on former riverbed property while the navigable river beds belong to the school children. These homes average \$400,000 apiece.
- A citizen opportunity to pan for gold in the Kettle River was scheduled and advertised. Considerably more came to the event than had been anticipated that would have caused a serious disruption of river bed gravel that protects endangered fish. Protestors also turned out in considerable numbers on the day of the event. The event had to be cancelled. A subsequent event was scheduled that allowed for panning in a larger stretch of the river, but only close to the banks, so as not to disturb the habitat of endangered fish.
- Requirements for reclamation of gravel in surface mining along with ensuing lawsuits have caused an increase in the prices of building materials. Washington is now importing gravel from Canada.

#### New Mexico – Pat Lyons

- Introduced his staff.
- Drought has been a concern for New Mexico. One ski area has not yet opened.
- They are reviewing the carrying capacities for grazing leases.
- They have been visiting other state offices to learn how operations of other state offices might be integrated into the New Mexico Land Office operations.
- The office generated \$363 million in the last fiscal year with 150 employees and increased their revenue by 12%.
- New Mexico has a statutory requirement to balance the state budget annually. They did so in the last year and have a surplus.
- The office offers a mineral lease sale every month and has made over a million dollars at each sale.
- The land office was unable to secure a timber company to harvest the forest. There are no timber operators left in the state. They opened the forests for firewood cutting and allowed some Christmas tree cutting free of charge.
- The first water lease on state lands was issued to Las Cruces. From this point forward when drilling for water on state lands occurs the filing will be in the name of the state not the driller as in the past. Water leases will be issued on a regular basis now.
- The office has positioned themselves to take advantage of the need for sand and gravel in highway construction by determining where the construction will take place, locating sand and gravel nearby and offering it for sale to the highway department. The office is also doing the archaeological surveys and positioning trust lands along the new highways to be ready for lease when the highway is constructed.
- The land office has the third largest wind generation farm constructed on State Lands.
- A trust section in Mesa Del Sol, a high value real estate development on trust lands, has been traded for considerable agricultural land.

#### Hawaii – not present

#### Montana – Tony Liane and Jeanne Holmgren

- Excused Tom Schultz. His wife is within a few weeks of delivering a baby.
- The fire season has been a serious problem for Montana this year.

- The legislature increased the required cut of timber substantially in an effort to increase revenues. A habitat conservation plan is due to be completed in a year and will affect forest management. The agency is working to keep the plan from preventing development of trust lands.
- A Land Banking bill passed the legislature last session allowing for revenue from land sales to be banked in order to acquire different, more valuable, developable land. The land office sees this new land banking law as an opportunity to reposition assets.
- An assessment on recreational use permits in the state has been assessed to reimburse the trust for access and use of trust lands. It is expected to raise an additional \$1 million annually.
- Coalbed methane wells are up and running.
- Wind farms are being built.
- It is expected that grazing preference rights to be challenged in the courts.

California – not present

Idaho – Jay Biladeau

- Introduced the land office staff and said they are having the same problems as Montana.
- An attorney general opinion in Idaho states that school trust lands are not subject to planning and zoning. A dispute with a county over a gravel pit near Sun Valley has resulted in a lawsuit. It has been ongoing for several years. The land office lost in district court and appealed to the Idaho Supreme Court where the decision was reversed. The county requested a rehearing that has been denied.
- The office is involved in a land exchange with the BLM and Forest Service to acquire forest land in exchange for foothill property near Boise.

Oregon — John Lilly

- Excused Ann Hanus who was unable to attend because of legislative session.
- The agency has received a new title of Oregon Department of State Lands and has been upgraded from a division to a department.
- Oregon completed the longest legislative session in history last August. The budget of the land office was scrutinized but ultimately preserved.
- The 2004 summer conference of the WSLCA will be held in Oregon. Plans are well under way. All were invited to attend.

Utah – Kevin Carter

- A land exchange in the San Rafael Swell failed in 2004. Its demise resulted from opposition by environmental groups and difficulty over valuation of oil shale. Significant fall-out has resulted requiring a change in the exchange process nationwide. Exactly what the new process will be has not been determined yet.
- The Utah Governor recommended that the trust pay a \$6 million fire suppression bill. An attorney general opinion issued declared the action as unlawful and ultimately the assessment was eliminated.
- A legal dispute between Utah and the BLM on the creation of additional wilderness after the 1991 Congressional deadline in Utah has been settled.

Nevada – Ruth Ann Danner

- 87% of Nevada is federal land
- There are 12 people in the land office in Nevada.
- The legislature issued a bond to allow for the purchase of land for the Department of Wildlife, for conservation easements, recreational projects and the purchase of water rights.

Alaska – Richard Thompson

- A road dispute has forced the office to develop a policy recognizing rights-of-way
- They are involved in land use planning

Republic of the Mariana Islands – not present

Alaska Mental Health Trust – not present

Summary: fifteen members were present and eight members were absent.  
The order of the roll call was determined by the risk of tornados by state – highest to least.

Children's Land Alliance Supporting Schools (CLASS) – Margaret Bird

- The first CLASS conference in 2001 had an attendance of 30 people increasing to 60 in 2003.
- The organization expects about 70 for the 2004 conference in Oregon. Planning for the Oregon conference has been closely coordinated with the Oregon Department of Natural Resources.
- Mark Winkleman of Arizona is currently serving on the CLASS Advisory Committee as the land commissioner representative.
- The organization has a website [www.childrenslandalliance.com](http://www.childrenslandalliance.com) and prepares a semi-annual electronic newsletter.
- The group has conducted research on the historic land grants and is currently collecting information on in-lieu selection grants within the states.

President Doug Sutherland recognized former Texas land commissioner Bob Armstrong who was very active in the WSLCA for many years and attended this meeting.

BLM – Gail Gordon

- Made a short report on current BLM activities