

2010 WESTERN STATES LAND COMMISSIONERS

ROLL CALL

July 12, 2010

The order of roll call was from smallest to largest and was based on the number of fire arm deaths per capita.

HAWAII

Not present.

MINNESOTA

The Department of Natural Resources (DNR) manages 2.5 million acres of surface lands plus another 1 million acres of severed minerals. In 2008 a Legacy Amendment passed and imposed a 3/8th % sales tax to provide for clean water, parks, etc. DNR bought 3,000 acres on Vermillion Lake for a state park from the Legacy Amendment funds. DNR has also created 315,000 acres of conservation easements. MN has two iron ranges. DNR wants to develop metallic mineral leases and they are working on an EIS for a molybdenum mine. Legislators want to take land management out of DNR, but the bill did not pass. However, the legislature did require two studies. Minnesota statutes have conflicting directives requiring management for conservation and revenue. They have a land Exchange Board which includes the Governor, State auditor and others.

SOUTH DAKOTA

Jared Johnson is one of 5 elected Constitutional officers, and does not need the governor to sign off on his decisions. As Land Commissioner he manages 673,000 acres and \$163 million in the permanent funds. The Red Shirt National Wilderness proposal includes national grasslands with 4 school sections with valuable minerals. There are 2 large gas transmission pipelines going in across trust lands. South Dakota has experienced a 24% decline in their permanent fund balance 2 years ago, and they made up 23% this past year, so they are only down 1%. Surface revenue pays the bills. They have run GPS on every acre of school land to let hunters and lessees know where they are.

NEBRASKA

Richard Endacott recognized their Board Chair who has served 5 terms. Their main revenue is agricultural leasing. Last year they had a great year even in the difficult economy. Nebraska is 4th in nation in wind capacity and 24th in production. Because they have public power and low power costs there has been little interest in developing wind. Now the legislature is waking up to the revenue potential of wind. Their statutes have only allowed 5 to 12 year terms on their agricultural leases which prevented wind development. Their legislature changed the statute to allow long-term wind leases. The agency has been accumulating carbon credits and has registered 600,000 tons of credit. They are positioning themselves to take advantage of carbon credits, but the Farm Bureau is violently opposed. They are trying to get companies to create biomass from cedar infestations. Nebraska held an auction

and received their biggest bonus payment. They have just found out one trust section is over a huge uranium deposit.

WISCONSIN

Doug LeFollett is Secretary of State and he serves on the Land Board with the Governor and others. Most of their land is in the northern part of the state and their revenue is made from timber. Their permanent fund is \$800,000, and they loan it to school districts, fire departments and municipalities. They distributed \$30 million in interest for school libraries. When they sell land they can use the money to purchase other land through a land bank. This past year they sold 200,000 acres and bought 7,000 more productive acres. They would like to consummate a sale to the US Forest Service.

NORTH DAKOTA

Jeff Engleman is the acting director. There is an oil boom in North Dakota with 131 rigs active in state. This past fiscal year they made \$500 million in bonus revenue at about \$1,000 per acre. North Dakota has only a 3% unemployment rate. Their fund has grown this past year from about \$800 million to \$1.2 billion. Oil and gas companies are drilling 2 miles down and 2 miles out. They are basically hiring anyone who knows what a lease is. Actually he came to this conference to hire away more people. They have a potash project they are working on. Their board is composed of the Governor, the Attorney General, the Secretary of State, the State Treasurer, and the Superintendent of Public Instruction.

WASHINGTON

Peter Goldmark is an elected land commissioner. Because of the recession he has had a huge loss of staff (120 people). His Board of Natural Resources is composed of himself, the Governor, Dean of the University of Washington College of The Environment, the Dean of the Washington State University College of Agriculture, Human, and Natural Resource Sciences, a county commissioner from a county with state forest trust lands, and the Superintendent of Public Instruction. They have two biomass projects to take advantage of creating revenue from waste. His department manages 6.8 million acres of aquatic lands. They market goosy ducks to East Asian nations. The outlook is bad for their budget for two and four years out. The Department of Natural Resources is responsible for fire suppression on over 13 million acres.

UTAH

Kevin Carter reported Utah has a 7 person board with six members being selected through a Nominating committee process. Real estate in the southwestern portion of the state has experienced the squeeze. SunCor was the private party partner with the agency on a several thousand acre development called Coral Canyon. SITLA bought back the project to protect the asset, and the purchase price was so reasonable. The homeowners are happy because the SITLA actions also protected their values. Congress passed land exchange out of lands in southeastern Utah, but the bill authorized a process that goes through the appraisal and NEPA/EIS processes. BLM is now saying they must revise the Resource Management Plans before proceeding. The Department of Interior is reorganizing the appraisal process again, but has not provided funds for appraisals.

CALIFORNIA

Not present.

OREGON

Louise Solliday indicated that her board is composed of the Governor who is chair, the State Treasurer, and the Secretary of State. She indicated that John Lily and another employee retired. The wave buoy that was installed 2 years ago sank, and they are now putting in another wave buoy. The land office is pursuing wind development. They just negotiated their first solar lease and she is seeking more info from other commissioners. Geothermal resources are now looking cost efficient. Her office is looking at ecosystem issues such as carbon from forest lands and carbon sequestration on grass lands. They sued the federal government for in-lieu lands in the 1980s, won 5,000 acres in the 1990s, and are still working on being granted the last 1,000 acres. The land office is disposing of scattered lands and investing the proceeds in residential and commercial properties. Timber prices are going up. New grazing rules will increase the fee over 3 years; it was controversial. They had been losing money when issuing grazing leases. The permanent school fund went down to \$720 million and now they are back up to \$920 million. They will distribute over \$100 million this year.

TEXAS

The Land Commissioner, and gov appointee, and ? make up land board. Spill in Gulf and wHis comments to the media on their use of words like “spewing” is keeping him in trouble with the environmental community. From the Gulf spill there have been 300 barrels of oil on the Texas coast. The General Land Office is responsible for 377 miles of coast. They have buoys to measure the current and tides. They have skimmers, etc. to prevent the oil from getting to the Texas coast. They are prepared. But people must remember that in a diary from 1543 there was mention of finding oil on the coast from natural seeps. They have 2,500 natural seeps and have had tar balls for thousands of years. Texas charges 1.7 cents per barrel to fund the oil spill division. This tax only adds .007 cents per gallon to the price of gasoline. There were 900 spills per year in 1991 and same number today but spills so much smaller—usually in gallons today. He is up for reelection. He ran a personals ad to get an opponent and succeeded. He said, “I should have shot the bastard when I had a chance.”

COLORADO

The Colorado Land Board is composed of 5 volunteer commissioners who are appointed by the Governor with no more than two of the same party. They are required to have backgrounds in education, conservation, agriculture, county issues, and one at-large. Their terms are for 4 years and they may serve another term. He appreciates CLASS President Colleen Heinz and State Board member Marcia Neal who have communicated to education what the Land Board does. Public parties to a purchase do not have to worry about private parties out bidding them because of a recent statute change. The agency want the legislature to allow them to receive gifts and donations. They would also like the ability to finance acquisitions. In fiscal year 2010 they made \$67 million with 80% from minerals and 22% the 80% from bonuses. The land office received landmark bonuses in FY2010. Royalty from a

coal mine that ceased production was offset by increased oil and gas bonus revenue. The coal mine will come back onto school lands after mining through some federal lands. School lands inside Great Sand Dunes National Park were exchanged for 22,000 acres on a lake in the same county with \$8 million value on each side of the exchange. The balance between stewardship and revenue is a concern. Their office budget was severely affected with the state having a \$75 million reduction this year and \$150 million expected for FY 2012. Lowery Bombing Range is managed by the trust. It is 40 square miles adjoining the Denver Airport. They had been working with a developer who has now left the project. They are looking at putting some conservation easements on the land to set the stage for future development.

IDAHO

Cathy Opp, Deputy Director, recognized the CLASS people and her staff. Idaho's Land Board is composed of the Governor as Chair, the Secretary of State, the Attorney General, the State Controller, and the Superintendent of Public Instruction. They are trying to get more flexibility in their statutes on leasing and selling. Their Constitution only allows oral public auctions with a lifetime limit of 320 acres to one purchaser. The bill to give them that flexibility passed the Senate but failed in House this last session. They need substantial buy-in from beneficiaries and county commissioners. The State Superintendent made a request for an additional drawdown of \$50 million from the distribution account. The Board will set the distribution this summer for 2012. For FY 2010 the board approved \$32 million, and it has raised significant questions because they reacted in a short-sighted way on a permanent fund. The permanent fund usually contributes \$42 million annually, and this year the distribution was only \$17 million. The Land Office signed their first wind lease with Shell Energy recently. Idaho finally struck sweet gas near the Oregon border after 200 dry holes in the Overthrust belt. The Attorney General is suing the Board for the decision on cottage site lease rates. Previously, the board charged 2.5% for the lease of the land for the cottage sites. Now they have changed it to 4% of a 10 year rolling average with a phase in that incidentally results in—you guessed it—2.5% of value.

OKLAHOMA

Keith Kuhlman reported that a long time auditor had been stealing oil and gas checks. The Oklahoma Board of Land Commissioners is composed of the Governor, the Lieutenant Governor, the State Auditor and Inspector, the President of the State Board of Agriculture, and the Superintendent of Public Instruction. The land office manages one million acres of mineral rights. Mike Hunter is the new Secretary to the Board. Last legislative session the board rewrote the whole statute and got it passed with no changes from their proposals. Such an accomplishment in such a short time is remarkable. They were able to get a 42% budget increase when every other agency got cut. Some of the increase will be used for audits. Oklahoma will increase distributions to the beneficiaries because they can now distribute oil and gas money. Last year they distributed \$100 million and anticipate distributing \$125 million this year. They have worked on wind energy and have an entire wind energy farm on trust lands. Oil and gas are still strong in the state. Commercial development is at the bottom. Oklahoma investments of the permanent funds are going well because they got out of a lot of equities before they tanked.

MONTANA

Tom Schultz reported that the land office made \$180 million which was significant because it was double what they had made. This year they will contribute 20% of the state education budget. Minerals make up 65% of their revenue. They received \$85 million from Arch Coal in a bonus bid on a lease. Real Estate generates about 5% and the permanent fund investments make up about 15% of the revenue. The Land Bank made a \$14 million timber purchase. The agency is leasing one section for wind and another section has just been litigated. They are expected to finish a plan on 600,000 forest acres. Montana has just finished a navigable rivers case. The courts said navigable rivers in Montana are public trust lands and should be managed for revenue for schools. The decision will require power companies and those with dams on navigable rivers to pay for the lease of the rivers. It is anticipated that the decision will generate about \$52 million in leases. The agency anticipates making another \$20 million annually from hydro power leases on the footprint. The case is being appealed to the U.S. Supreme Court. Tom recognized the employees and the CLASS Montana folks.

ARKANSAS

Mark Wilcox recognized his staff. He is term limited and is a Constitutional officer. There have been no budget cuts, and his state has no deficit. Fayetteville shale continues to grow. Some marinas are being planned on the Arkansas River in Little Rock.

NEW MEXICO

Pat Lyons reported that the sun shines 360 days a year and on the other 5 days the wind is blowing so hard you can't see. He recognized 12 staff members and CLASS President-Elect Renata Witte and PTA President Mercedes Sandoval from CLASS were recognized. This last year he raised \$420 million and will have raised \$3.8 billion over the time he was there. The New Mexico permanent fund is now at \$9.6 billion. The Investment Council was increased by 4 members. There were some shaky 3rd party investments in the past year. Last year the land office brought in \$18 million in minerals. They are working on a new potash development. They put together a uranium enrichment plant near TX border on state land they traded for. They are also working on alternative energy with 115,000 acres in wind energy leases, 130,000 acres in solar leases, and 50,000 acres in biomass. New Mexico still has a 1960s electrical grid system, and it needs to be updated. The land office manages 782 active business leases. They have completed 29 land exchanges over last few years. They had 19 land sales of 1,900 acres. The legislature will always want to get into the permanent funds, so Pat has concentrated on land exchanges to protect the kids. He does receive a lot of press criticism on land exchanges. He lost some budget, but the office is still very efficient and self-sustaining. He is an elected commissioner, and he calls the shots. He tries to not be political despite having an Attorney General who thinks he knows more about land issues and keeps trying to make decisions. He has 5 fewer employees than when he entered office.

MISSISSIPPI

Not present.

NEVADA

Not present

ARIZONA

Not present.

WYOMING

Mark Madsen, who is new with the Office of State Lands and Investments, reported that they manage 3.5 million acres of surface and 4 million subsurface acres. The office also has to manage forest fires. The agency has 20 wind energy leases and has proposals for 10,000 more acres. They have a lot of wind because Montana blows and Colorado sucks. Their oil and gas is going great. The Board is composed of 5 elected officials—the Governor, the Attorney General, the Secretary of State, the State Auditor and the State Superintendent of Public Instruction. The current acting director is a retired district judge.

ALASKA

Rick Thompson reported that he is not the Land Commissioner, but he plays one while he is here. He recognized Celia Rosen from CLASS, and thanked Tom Schultz for the conference. Governor Shawn Parnell is the polar opposite of Sara Pallin. He is up for re-election as is Young and Markowski. A lot of time has been spent on compliance because of the Gulf spill. They have 3 divisions over oil and gas, so they are closing gaps and over-lapping interests. Trans Canada and Exxon have the right to build a pipeline. “Open season” is going on while those who have gas can compete to have their gas in the pipeline. A lot is going on with copper, coal, and platinum. Their office is buried with lawsuits. They are working on 3 major fiber optic projects from Anchorage looping through the state and ending on the North Slope. It will be 3,000 miles long.

CLASS

Colleen Heinz, CLASS President, reported that CLASS has 4 focus areas: conferences, research, outreach, and funding. Last year’s conference was in held in Seattle, Washington to reduce the cost of travel to Alaska. CLASS missed the networking with the land commissioners. CLASS compiled and distributed two editions of the CLASS Notes. CLASS assisted Minnesota, Idaho, and Alaska with trust land issues. Margaret Bird and Kevin Carter explained Utah story to the Minnesota legislature. CLASS has compiled extensive research on Enabling Acts, Constitutions, state statutes, in lieu lands, permanent fund returns and other investment information on an annual basis. The CLASS Board decided not to compile and report on FY10 year data to focus on generating funding for the organization. Dues are contributed from 35 state and national organizations. A Federal earmark was applied for but not submitted by the Senator because it did not have impact directly on that state. Colleen concluded by introducing the Board of Governors and Directors.

BLM

Kim Burns reported. She is a new Division Chief over surveys and 700 million subsurface acres. She and Bob Abbey welcome conversations. Interior Director Bob Abbey will be here on Tuesday.