

WSLCA JANUARY 2011
Roll Call of the States
Notes

Welcome by CA Director

CA generates more than any other state agency—

Issues:

- Land exchanges (33,000 acres in limbo because of procedures not followed at the federal level)
- Alternative energy
- Climate change

WSLCA President's Address

Tom Schultz, MT Trust Land Administrator in Department of Natural Resources –Jamie Bailey has replaced Pat Lyons in New Mexico. Tom thanked CA staff and Mario He asked for land commissioners who had not hosted a conference (OR and ? raised hands).Tom presented a history of Long Beach

President Schultz outlined the objectives while he is president:

1. Maximize earnings and preserve assets
2. Encourage prudent administration of trusts
3. Acquire and evaluate information involving land, water and resource management policies
4. Improve communication tools
5. collect and manage data from states
6. website updated
7. develop a web portal with Kathy Opp
8. set benchmarks. Tom explained the difficulty to benchmarking against federal agencies or private lands, but WSLCA states could benchmark against each other.
9. engage federal counterparts.
10. sign a new land exchange MOU w BLM
11. review and revise organization goal and objectives

ROLL CALL

Roll call was conducted by Lisa Schneider from Utah's School and Institutional Trust Lands Administration. She indicated the order will go from highest to lowest. She also said she will announce the state's gemstone as she calls out the state name.

WY (Jade): N/A

LA (Agate): N/A

ND (state dirt is Williams soil): N/A

MS (petrified wood): N/A

AR (Diamond) John Thurston is to be sworn in tomorrow as the new Arkansas Land Commissioner.

ID (star garnet) Kathy Opp, Deputy Director, introduced her staff. She indicated that the Attorney General sued the Land Board for not charging market rates on cottage sites, some of which have mansions and not cottages built on them. The suit was filed in the ID Supreme Court and dismissed because the court said the AG had access to district court. The AG then sued in district court. There are 534 leases that will be expiring Dec 31 2010. The Land Board agreed to extend current leases at 2.5% of value, and all will go up for conflict auction at 4% of value in 2011—formula found to not meet constitutional standards—lessees have sued—successful grazing lease auctions—one brought in \$15/AUM—found sweet gas and now need to do fracing permits and have to figure out spacing—controversy on portfolio assets and need to diversify and wanted to transition into commercial, purchased storage facility w cap rate of 9%, controversy for 3 months on being socialists, editorials on mission, fear legislation requiring liquidation and prohibiting, own .16% of storage facilities

NE (Blue Agate): N/A

OK (Rose Rock): N/A

TX (star cut, Texas blue topaz) Larry Lane said Jerry Patterson won his race—miss Lyons and Wilcox—his opponent ran at last minute and was in movie Alamo, so was Jerry, and Comm said “I should have shot him when I had a chance”—officially a \$26.8 billion shortfall, reductions in staff expected, legislature begins tomorrow, Rep have 102 seat majority, and legislation grid locked in Senate where it takes 21 votes and Rep only have 20—Deep Water horizon, TX consulted, you have to go 340 miles off shore to get over 50 feet of water, learned a lot, Jerry appointed to Gulf Coast Restoration Commission that has power but no money,--severance law suit where TX Supreme Court ruled beaches private, open beaches act, asking to rehear and legislature wants to fix—4 or 6 managers are money makers -Conoco Phillips wrote check for \$19 mil last week--\$600 to \$800 million portfolio run by Hal—renewable storage, wind, solar—Jerry great to work for—hard work for the school kids of TX

WA (petrified wood): N/A

OR (Oregon sunstone) Louise Solliday in national championship tonight—new Gov in 1 hour serving 3rd term—new staff members -House split 30-30 and there are no chairs co-chairs—Senate is 16-14—voters passed initiative for 150 days and 60 days in off years—Louise appointed to second 4 year term—hear alone because of budget—Elliott State Forest, abandoned habitat conservation plan because feds wouldn't agree on aquatic species, and will develop a take plan—placer mining held while issue studied by Fish and Game—litigation: Coos Bay pipeline sued her in federal district court, to be heard in spring—circuit court decision caused confusion on ??—land owners filed quiet title against state won and suit said the river in front of 2 parcels was navigable and said nothing on

rest—Willamette River called a superfund site—her budget is \$32 million per year and she will have to spend \$5 million in 2011 on suit—grazing fee increase due to change in formula--\$6.79 /AUM will be new rate and it will go up further next year too—will sell lands without access and are 1/3 of way through sales—created own problem by people thinking they are public lands and public does not think they are trust lands—land revolving fund directs to invest in commercial, industrial residential lands from sale of forest lands and with some problems they are stepping back and reevaluating—picked up commercial in Eugene and another parcel—500 emails from Sierra Club on a marine terminal in Coos Bay—Go Ducks

MT (sapphire/Montana agate) Banner year and generated about 20% of school funding—mostly due to coal bonus that will generate over \$200 million over next >?? Years--\$180 million in 2010 w \$23 million in interest—MT swung back to conservative—House is Rep and Senate is Rep and it is veto proof in House—referendums that will go straight to voters—one will set employees salaries at cap of 2X average MT salary—Gov said he will veto—it may spread to other states—navigable rivers case PPO v MT own 7 dams on navigable rivers—Land Office could not issue easements because they did not have authority—2006 school kids parents sued power companies for not paying—PPO sued MT to ensure they would not have to pay because courts said they were school trust lands—MT court said they are not school lands and PPO owes state of MT as they are part of public trust—court made it a part of profit relative to state ownership—expect to hear in next 6 months if U.S. Supreme Court will take—one of dams is in ID—land acquisitions—State of MT has purchased more land than anyone else in MT, mostly Fish and Game—340,000 acres disposed from Plum Creek to nature Conservancy who wants to transfer to Fish, Land and Parks and land office got about 100,000 acres that are mostly timber, they are not using trust dollars but are using general obligation bonds to purchase—sold 7,000 acres in 2010 primarily sold to lessees, ranchers and farmers—sell poor performing tracts—no net gain because they have sold and purchased close to the same number of acres—closed 12,000 ac with Forest Service in 5 counties—MT has 15% severance tax, but WY has 7% severance—carbon sequestration: they have 2 proposals to sequester CO2, will pipe to geologic domes, expect EPA to give permission in next 18 months, in MT the surface owner owes the pore space so it's an opportunity to make more money, they had planned to sell—HCP on bull trout, grizzlies, and lynx, they are at finished line and expect increased board feet to be sold once HCP in place—cabin sites are following similar path to ID, 800 cabins where trust owns land and people own improvements, 2 bills to redirect how they appraise and charge for properties, easy to sell and be done with it, but the issue is how to capitalize on it without getting beat up, replicate private sector but be careful how far and fast you go, need to bring leg along—navigable rivers at statehood, need evidence of navigation, caused problems when ranchers have diverted and have paid property taxes and now the state is claiming so why is state taxing on what they are claiming they own, in MT river has to have been adjudicated, will reduce from 3500 miles to 1800 miles that are adjudicated—Veterans Trust of 1200 acres and leg added acres, legislator is going to give beneficiaries option to opt out of making revenue, probably has a Constitutional problem, Tom wants legislator to just go get appropriation

WI (Galena) Doug LaFollette said election brought changes—Sec of State, State Treasurer (new), and AG (re-elected)—both houses changed to Rep.—big budget problems w \$3 billion deficit—New Gov was tea partier—Land Commission is independent of Gov—manage 80,000 ac in N WI w 20,000 that is not productive—loan money to schools and municipalities quickly at fair interest rates—interest goes to school public libraries about \$30 million annually, fight that battle—over last 3 years they have sold isolated lands and purchased lands adjacent to forests, Land Bank—introduced Tom German, attorney

MN (Lake Superior agate) Budget shortfall of 6.2 billion-Leg started last week—Republican House and Senate and Democratic Governor—turn over at Natural Resources due to incentive and 100 took opportunity and took thousands of years of experience away—manage 5.5 million w 2.5 school trust lands—newly energized in last 2 years with a legislator looking at how they are managed—interest in modeling after UT—legislation failed but will be reintroduced—comprehensive report was submitted in July 2010 to legislature—2nd report due in January to charge for use of school lands. Asked what it would look like if they charged for use for hunting, water use etc—advisory committee of 20 people w citizens and legislators—all 10 legislators will change because the house leadership changed—sales tax increases for environment, arts, and waters—push to get acquisitions at end of 2010—acquired a lot of land including conservation easements on forest lands which opens land to hunting and prevents fragmentation of forest—Superior National Forest and the Boundary Water Canoe Area w 86,000 acres of school lands, working with U. S. Forest Service on exchanging 1/3 and getting payment for the other 2/3rds, resolution to work with Forest Service, are picking lands to receive—revenue from timber, mineral and land (easements, licenses, etc.)-sale of iron or taconite is biggest revenue source—got \$10 million from 6 million tons of taconite, trying to increase the escalators on the fees—metallic minerals for copper and nickel are starting to move toward permitting, if they can get one mine open, some in environmentally sensitive areas, will generate money—

NV (black opal) Jim Lawrence, he is appointed w/no commission—transactions go through ??—biggest issue is budget and cannot agree on \$1.5 billion and \$3 billion deficit—Dem legislature now without super majority and a Republican Governor—120 day session—Gov ran on no new taxes and no fee increases—NV government will look significantly different, including not having a Parks system—expect to lag other states—3,000 acres left of school lands w large in-holding in Carson City—may have an opportunity for solar production—They are the land agent for all state agencies. Aquatic invasive species in Lake Mead has been a huge problem and they have found that they could survive in Tahoe—300 acres along Colorado River that are sovereign lands were given to county to develop for private development—has been taken to NV Supreme Court and they are awaiting a decision—Other side said the legislature gave it to them and the land office's position is that they are sovereign lands.

SD (Fairburn agate) Jared Johnson won his re-election as South Dakota's Land Commissioner. His state is in the middle of a budget crisis. Oil and gas is picking up and they are enjoying skyrocketing values on certain minerals. They have also increased their revenue from feeder cattle lots.

AZ (Turquoise): N/A

NM (Turquoise) Ray Powell elected and Jenks is his assistant and Pat Lyons elected 95% of revenue is from oil and gas production--

Jamie Bailey reported that the audit on exchanges with private parties was scathing because the agency used no standardized process. NM Land Office is working on developing a standardized process now. They fear the legislature will curtail the Land Commissioners authority over exchanges. The prairie chicken and sand dune lizard may be listed, and their impact if listed will be huge because they are in the oil and gas patch. Pit rules to prevent pits in areas with ground water less than 50 feet in depth are another challenge. The current Governor will not list federal regulations on cap and trade. Another issue is pore space. Pore space could become a 3rd estate when there are split estates. Ray Powell, newly elected Land Commissioner, will focus his administration of the agency on the betterment of communities and will run two initiatives. Fiscal year 2010 was a record year for lease and bonus income.

CO (aquamarine) Tobin Follenweider is the acting director of the Colorado Land Office. He joked that he was happy to be in California where he could see where all the Colorado water was going. The previous director only served 16 months. The term for a Director is 1 year. The process in Colorado for replacing the director is a complicated one and the Board does not see the candidates until the list is narrowed down to 3 candidates. The Board is doing strategic planning with criteria for making decision within deadlines. The plan was adopted this last week. Shale is huge in Colorado with horizontal wells producing 6,000 barrels of oil per day. Colorado received the largest revenue in history with \$80 million raised. There is a large shale deposit in the middle of the Lowry Bombing Range where a real estate developer had just backed out of the surface development of the Lowry. It is estimated that the shale in Lowry could produce \$0.5 billion. The Rocky Flats Refuge has school trust lands within its boundaries. Because of local government infighting, the price has been driven up and the agency will be able to get a greater price when they sell it soon. The agency has 350,000 to 400,000 acres under lease for renewable energy. Development of this renewable energy is held up by an access issue with Excell who controls the whole renewable market in Colorado. Legislation may allow the land office to manage land for other agencies and they could use the management fees to offset the cost of management for their beneficiaries. In Colorado, Wildlife Resources pays for access for hunters to hunt on trust lands. DWR pays \$1.63 per acre on 500,000 acres. Private land owners get vouchers that can be sold at high prices, but the trust is prohibited from receiving vouchers. So the Land Office is seeking a "jointly administered program," not called a voucher, to see if they can generate additional revenue from hunting.

UT (topaz) Kevin Carter reported and said that since Arizona cannot attend he wanted WSLCA know that they are facing a challenging time financing their agency. Not long ago they changed a portion of their agency funding source from General Fund to a percentage of sales revenues. This has been challenged in the courts, and the litigants won. They may now have to repay what they have spent.

Kevin then reported on the management of the Utah trust lands. He indicated that the legislature has become more conservative, if that is possible. His agency will be running some housekeeping legislation to exclude citizen initiated rule making for the agency, providing authorization for the agency to acquire assets, etc. The School and Institutional Trust Lands Administration (SITLA) bought back a real estate development lease in southern Utah from a successful developer that had developed about 1,000 lots but was now in trouble due to the markets. The agency is looking at building an office building with a partner. They are also developing caverns the size of the Empire State Building in a salt deposit. Natural gas and compressed air will be stored in the caverns. SITLA got the land exchange of recreational lands along the Colorado River through Congress - despite no opposition it still took 6 years. BLM still chose to conduct a NEPA analysis, despite the fact that the exchange is congressionally directed. BLM has been doing that analysis for the last 18 months. The BLM has had to survey the boundaries of the Uintah Ute Indian Reservation because the acquired lands adjoin the Reservation boundary. Utah counties are working on land use plans using the Nevada model of Senator Harry Reid. SITLA is struggling because the feds won't designate lands that can be acquired; that's not neighborly. The Army Corps of Engineers is calling dry washes the "waters of the United States". Another issue is the federal Master Leasing Plan program that circumvents the Federal Land Policy Management Act and provides additional delay and another level for litigants to file actions to stop mineral development. The "wild lands" designations are yet another issue of concern.

AK (jade) Wyn Menefee reported that their Attorney General became the Commissioner of the Department of Natural Resources as the resignation of the present commissioner, Tom Irwin, has been accepted by an in-coming Governor. Alaska's issues include deciding who owns "pore space" (a topic important to storage of carbon monoxide and natural gas, the BLM wild lands program, supreme court decision, lawsuits, and RS 2477 access. The designation of "wild lands" appears to contradict the Alaska National Interest Land Conservation Act (ANILCA). They fear as many as 71 million acres could be locked up. They have received title to about 100 million acres and still need to work through the remaining approximately 5 million acres. The Supreme Court decision on Alaska rivers said they can only charge commensurate with the services they provide for ships operating on navigable waters. There have been lawsuits from native tribes on navigable waters. Alaska has been working with BLM to solve RS2477 access roads using recordable disclaimers done administratively. Just as it got going, the funding from the state and feds decreased. They are also looking at the bonding for deep water wells to assure they have the funds needed when the production is over. There are also issues about the pipeline being shut down because of its aging infrastructure.

HI (black coral): N/A

CA (benitoite/blue diamond) Curtis Fossum

The order was guessed to be per capital electricity consumption.