

**Roll Call of the States
Western States Land Commissioner's Association (WSLCA)
2010 Winter Conference
January 10-14, 2010
Little Rock, Arkansas**

Pat Lyons, President of WSLCA and Commissioner of New Mexico, welcomed the conference participants.

Arkansas Commissioner Mark Wilcox introduced Mark Stodola, Mayor of Little Rock, who welcomed the participants to Little Rock.

Commissioner Pat Lyons thanked the land offices of Arkansas and Texas for hosting five of the last sixteen conferences in the past eight years since he has been a member of WSLCA. This is Commissioner Lyons last year in office and as president of the organization. He encouraged the continued involvement of the land offices in WSLCA. Commissioner Lyons welcomed Charles Ward of Nebraska and Brownell Bailey of Colorado, two first time participants to the conference.

Kevin Carter served as the master of ceremonies for the Roll Call of the States in Dave Hebertson's absence. Dave Hebertson, of the Utah land office and Secretary of WSLCA broke his arm in multiple places and had to undergo surgery to reconstruct the bones. He is recovering.

Arizona – No one was in attendance from the land office.

Nevada - Jim Lawrence

The economy is difficult in Nevada as well as most other locations in the country. In the recent biennium there were 16% reductions in state governments that included one day a month furloughs for all state employees. Some personnel in the land office have lost their jobs. Additional reductions of 6%-10% will be made this year to meet budget requirements. Managing morale and cash flow have both been challenges.

Renewable energy production is picking up in Nevada, including solar and geothermal. The land office serves as the real estate agency for state lands since most trust lands have been sold. They have worked to install solar equipment on three National Guard facilities and will work with other agencies to assist them with similar projects.

Mississippi - No one was in attendance from the land office.

California - No one was in attendance from the land office.

Alaska - Rick Wilcox

Alaska hosted the 2010 WSLCA Summer Conference in Anchorage. Governor Palin resigned soon after the conference. The new administration is still pushing to finish the pipeline for Natural Gas from the North Slope to the market through Canada. The project is due to be completed in July.

There has been considerable discussion about alternative energy and some good ideas but to date no serious agreements have been made. Two considerable hydropower projects are being considered but the grid system would need to be improved considerably and they are years away.

Mining, especially for gold is going very well.

A previous program to introduce big game guides was ruled to be unconstitutional and there is now an effort to address the constitutional issues and get the program going again. The effort has met with some resistance due to problems with overhunting. Those issues will likely need to be addressed for the program to go forward.

Louisiana - No one was in attendance from the land office.

New Mexico, Patrick Lyons

Creating an understanding amongst the public and elected officials about the role of the land office continues to be a hurdle in New Mexico.

Government has been reduced by 25% over the past two years but there still remains a \$700 million deficit. The budget of the land office has remained flat at \$13 million for several years and due to this financially conservative budget he does not expect a reduction to the land office budget. The land office generated \$3 billion in income to the trust in the past year with \$340 million being distributed to schools. The permanent fund balance is \$8.3 billion. The fund has lost \$3 billion in the past two years. Exchanges with the BLM including one that included a private party in a three-way exchange have been successful over the past year. The three way exchange resulted in a railroad expansion that will create 500-600 jobs and the BLM received some prairie chicken land that was important to them. There have also been a couple of BLM exchanges out of proposed or designated wilderness areas.

The Mesa Del Sol development lease continues to grow on the ground and now includes a Hewlett Packard facility.

Alternative energy is taking off partially due to funding from the federal government to support the efforts. Solar leases are increasing and now increasing faster than wind. The Right of Way Division of the land office is working on installation of energy transmission of energy lines.

The land office is now issuing water leases on trust lands instead of the state water commissioner. Private land owners have been receiving damage payments from oil and gas developers when there have been adverse impacts on their lands and the dispute was settled through the courts. The land office is seeking to receive a portion of the payments when the trust lands have been impacted similarly. This is Commissioner Lyons last year as land commissioner of New Mexico. There are eight individuals who have filed to run for land commissioner.

Hawaii - No one was in attendance from the land office.

Oregon - No one was in attendance from the land office.

Utah - Kevin Carter

The Utah Recreational Land Exchange was approved by congress last fall. It authorizes an exchange of primarily scenery for oil and gas lands. The exchange package has been delivered to the BLM and they have 360 days to complete their part.

The governor has asked all agencies to take an additional 3% cut in the current year but because the land office is funded from revenue generated from the land, they do not plan to take that cut. For the coming year the governor's budget didn't recommend any new funding that had been recommended by the land board except for capital budget increases to purchase water.

The Board of Trustees awarded bonuses to senior management for work completed in the recent fiscal year and the some legislators are looking to retaliate in some way during the upcoming legislative session.

A cave used for spelunking is located on trust lands, known as the Nutty Putty Cave. A caver became caught in a narrow section over the Thanksgiving holiday and despite considerable rescue efforts, the individual passed away still caught in the cave. The decision was made to seal the cave but not without considerable opposition from various interested parties.

Interest in solar wind and geothermal on trust lands is increasing. A large salt dome in the central part of the state has been leased by a group interested in storing natural gas and compressed air. The facility will be used for storage and the gas or air will be released during peak usage times.

A record \$16 million was earned from coal production in the past year and is perhaps the first time that more revenue has been generated from trust lands than federal lands in a year.

A recent Utah Supreme Court decision confirmed that when actions of the trust land managers are in question and a third party is involved, beneficiaries must go after the state, as trustee, rather than a third party.

Oklahoma, Keith Kuhlman

The new secretary of the land office had a dispute with the new board and was forced to retire. At the same time, the office discovered that a twenty year employee was embezzling money from oil and gas receipts. Internal auditing was catching it but the individual in question was the person who did the follow-up. The embezzlement had been going on for ten years. As a result, a massive audit was conducted and everything came out clean. However, a number of top management individuals have recently been replaced. A new secretary has been appointed, a republican that was appointed by a democratic board. His name is Mike Heather and he is very engaged and missing the conference because he is working on a complete recodification of statutes related to the land office that will be considered in the upcoming legislative session.

The difficult economy has not impacted the trust as much as in some states. Most of the revenue comes from oil and gas which is recovering. Some investments were moved out of equities before the downfall went too far. The beneficiaries received a record distribution.

There is no commercial development going on right now and the office is looking to hire a planner to prepare the lands for a returning market.

There have been many inquires for wind production but transmission lines are a problem and must be resolved before anything significant can be developed.

Washington - No one was in attendance from the land office.

Arkansas, Mark Wilcox

Commissioner Wilcox thanked his staff for their work to present the conference and the two other prior conferences they have presented during his tenure. He encouraged participants to visit the Heifer Center scheduled during the afternoon. They have built a very interesting green building. The organization is involved in donating animals to help improve the lives of desperately poor people in many countries around the world.

He is running for Secretary of State and has four opponents. This may be his final WSLCA conference as he will be heavily involved in a campaign in July and unable to attend. He may attend with the new commissioner next January.

Colorado, Brownell Bailey

John Brejcha, who was a faithful participant of WSLCA has left the land office and is now working at the Division of Wildlife as the asset manager and still provides historical advice to the land office.

Bownell explained that he was hired from the private sector.

New land commissioners, who have recently been appointed to the land board this year, now total five who were appointed by the same governor. The governor has announced that he will not run for re-election so the commissioners will outlast the governor who appointed them.

The land office is self funded and so will not receive the same kinds of deep cuts other agencies in state government are feeling. They did implement the eight days of furloughs.

The Lowry Re-Development Project that attempted to move 40 square miles into a developable state is at a standstill. The leasee has departed.

The land office generated \$75 million in revenues in the past year with 80% coming from minerals. The board and land office are looking towards opportunities for diversification including looking to renewable revenue streams.

They now occupy a new LEAD office building that is separate from the Department of Natural Resources and that separation is helping to create a sense of independence.

He is looking to doing some strategic planning and extracting from the board some unified thought on the direction they would like management to take.

Texas, Jerry Patterson

Exon Mobile abandoned some wells on trust lands due to extremely high royalty rates but instead of just leaving, they sabotaged the wells to eliminate any future recovery.

Renewable energy is taking shape in Texas with wind farms installed and many more on the horizon.

There is some solar opportunity in the far west and some geothermal.

Commissioner Patterson is running for re-election and is facing two challengers from the Democratic Party. The increases in minority populations are changing the face of politics in Texas.

North Dakota - No one was in attendance from the land office.

Idaho, Cathy Opp

Idaho is experiencing budget difficulties and because they have some general fund programs in the land office, they have lost thirteen positions.

They are proposing revision of grazing rules and know that the discussion will be very contentious. They feel they must address them because they have been sued by environmental groups and lost in four separate cases due to existing rules. The Cattlemen and Farm Bureau are both opposing the proposed rules and planning a constitutional amendment to eliminate the revenue maximization requirement on constitutional lands and require that the managers look at local endowment land holdings, as well as health and safety issues, among other things, when making decisions.

The land office is preparing to educate constituent groups and land users about a constitutional amendment they will propose in 2012 to provide greater flexibility in receiving revenue (or value) for the trust from something other than a sale at auction

Cottage site leases continue to be contentious and the land board has postponed their decision again. The cottage site leasees are securing an attorney who will sue the land office under the current lease scenario, even though they are not paying market prices and the leases have been frozen for the past three years.

Shell is working with the land office to put in the first wind farm on trust lands in Idaho.

Wyoming - No one was in attendance from the land office.

South Dakota, Jarrod Johnson

The budget is not a difficult as in some states though the state will need to deal with a \$150 million loss in budget revenues. The land office spent \$544,000 in the past fiscal year to generate \$11 million.

Minnesota - No one was in attendance from the land office.

Nebraska, Richard Endacott

Richard Endacott has replaced Jay Gildersleeve in Nebraska, who has retired.

The Nebraska land holding consist primarily of agricultural leases, mainly grassland and irrigated, as well as some dry land. There is some oil land but not much. They are looking towards opportunities for diversification of income. Agriculture has held steady for two to three years and returned 10-12% per year. The land office recently completed a land trade valued at \$1.6 million.

They have enhanced value for hunting leases. The right to use the land for hunting is built into the lease.

Nebraska has the second highest potential in the nation to generate revenue from wind. They are working with the legislature to entice the construction of transmission lines. There are several preliminary agreements that could lead to leases when the transmission issue has been dealt with. Carbon sequestration is another possibility for diversification and they have notified their leasees of grassland that they want to be prepared to take advantage of possible carbon credits. 100,000 credits have been registered.

Cedar invasion is a considerable problem because they are so expensive to remove. There has been some discussion about using them in a biomass project to heat colleges with the cedar chips.

Wisconsin, Doug LaFollet

Wisconsin has three land commissioners who are all statewide elected officials. In Wisconsin right now, the state is both cold and broke. The permanent fund crossed the \$800 million dollar mark and they came through a recent audit with a clean report. They are grateful for and using a new provision provided by the legislature to hold some funds from land sales to purchase additional lands. It is a tool for repositioning the assets.

Secretary LaFollet is running for re-election for Secretary of State.

Montana, Tom Schultz

There is no budget shortfall in Montana!!! In fact they have a \$7 million surplus. As a precautionary measure a 5% reduction for state agencies has been proposed for 2011.

Montana is pleased to host the 2010 Summer WSLCA Conference in Kalispell, Montana. It will be the 100th anniversary of Glacier National Park and they plan to take interested participants to the park the day before the conference begins.

In 2009 the land office generated \$111 million, primarily for schools.

There has been a settlement on a disputed coal deposit outside Yellowstone. The federal government offered a cash settlement on the coal deposit and the land board chose the coal. Coal companies are now looking to lease the land and adjacent properties for development. Arch Coal is one of the interested parties.

The ongoing issue of who navigable rivers belong to is before the Supreme Court. If the court determines they belong to the trust there will be payments going forward and recovering from 2000.

There are 10 dams that have never paid leases.

They have 4-5 developing wind projects with others expressing interest.

Montana is experiencing cabin site issues similar to Idaho. 2009 appraisals show increases on 764 sites.

Timber production continues to suffer with 20 year lows in prices and beetle infestation in lodge pole and ponderosa pine.

13 states were present.

The order of the Roll Call was according to reported test scores of schools in each state with the highest combined scores down to the lowest. No one guessed the order of the Roll Call.