

MANAGING THE WEST

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2016 WSLCA Executive Committee

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Welcome to the Spring 2016 issue of *Managing the West*...

As I reflect on our recent Washington, D.C. conference, I am reminded of the importance of ongoing communication and education about the role our natural resources play in America's economic engine. The many informative speakers both encouraged and challenged our future thinking. We heard about renewable opportunities for residual wood products, like torrefication, that could achieve market viability in the near future and provide an economic means to restore healthy forest conditions. And, we also expressed concern about the long-term future and prospects of increasing regulation? Much is driven by changing demographics, values and knowledge about the role of managed natural resources. The WSLCA represents a storehouse of experience in on-the-ground management that is carried out in a responsible and sustainable manner. This matters little if we are not paying attention to trends and setting up for success.

By 2030 it is predicted that 50% of the US population will live in mega cities - large regional population centers that house millions and millions of people. And, by 2050 the number jumps to 75%. The majority of people will be significantly removed from rural American and the lifestyle we know today. Given the workforce migration and skills transformation, what type of worker will we (the WSLCA) need? What form of energy will power these mega cities? Coal-fired plants produce nearly 40% of the current power generation in the US. By 2030 the EPA looks to reduce carbon emissions of US power plants to 32% below 2005 levels. And, natural gas as a fossil fuel is also becoming a "dirty" word. If these sources go away altogether, something must replace the base load. What is it and do we (WSLCA) have a roll to play in providing it?

The precious resources we (WSLCA) have and how they provide immense value to future generations may not even be understood by the next generation. All aspects of water and natural resource management present abundant opportunities and challenges. Casting a broad net of collaboration is essential to our continued existence. Breakthrough innovation and solutions rarely come from single contributors and insular thinking. We will identify better options working together rather than in isolation.

The Washington D.C. conference is just the beginning of a more robust dialog with thought leaders and policy decision makers. During the conference, and related state hill visits, we connected with over 45 congressional offices and 5 federal agency leaders. Without exception, they want to hear more regularly from WSLCA. The meetings are an essential step for us as trustees to ensure the continued long-term viability of the endowment trust lands legacy. Most importantly, we were able to connect, listen and learn from others about new ways to collaborate to solve problems, add value and remain relevant.

Our shared experience has made us "a nationally recognized voice for prudent land management". No one state or member can do it alone. Together we can leverage our collective impact into a dynamic and exciting future.

A blue ink signature of Brent Goodrum, written in a cursive style.

Brent Goodrum (AK)
President, WSLCA

Conference wrap-up...

On February 29th, the WSLCA convened for the first time in many years in our Nation's Capital. The event has been a necessary strategic effort. And, thanks to a variety of staff from states and the association who worked tirelessly on planning and event execution, the 2 days of educational meetings and networking with our peers was a big success. Many folks took advantage of the day reserved for Hill visits to connect on state specific issues and reinforce WSLCA issues. In total, over 45 congressional offices visits and 5 federal agency visits were conducted.



Monday evening's welcome reception featured Oklahoma Congressman Markwayne Mullin. The Congressman explained his start in politics and his commitment to staying in touch with constituents. His service on the House Energy and Commerce Committee has direct correlation to many of our WSLCA members and he encouraged any of us to contact him with comments or concerns from our respective states.

Tuesday morning, we hit the ground running. After being welcomed and briefed by WSLCA president Brent Goodrum (AK), we heard from Neil Kornze, director of the Bureau of Land Management. Director Kornze provided updates on many topics including: energy, ESA, regulation and policy updates, wildfires and wild horses. He spoke of the Bureau's collaboration with states on ESA and on upcoming regulation changes - encouraging state's to continue to create plans and together they can look for answers. The Director took questions from the audience and visited with some folks after his conclusion. We all appreciated the opportunity to have him at our meeting and hopefully we can host him again this summer in Idaho.

The Future of the Industry panel provided a wide variety of perspectives discussing current issues. We heard from Luke Holland, Legislative Director for US Senator James Inhofe (OK), Ryan Yates, Director of Congressional Relations for the American Farm Bureau, Richard Ranger, Senior Policy Advisor for the American Petroleum

Institute (a WSLCA affiliate member) and Carlton Owen, CEO and President of the US Endowment for Forestry and Communities. Mr. Holland discussed the current climate in the administration and in congress. It is likely that we will not see much movement of any bills this year. Regulation reform is at the top of the agenda if the administration changes this fall. Mr. Yates discussed their continued efforts against the WOTUS rule and critical habitat designations, along with their continued efforts to support private landowners with grazing rights. Mr. Ranger explained API's commitment to advocate for state management of energy resources and talked about the current downturn of oil and gas prices. He said overall the industry is suffering and that we have been blessed over the last few years as natural gas has carried the economy; however, we are cursed by its abundance. On the oil side there has been a 30% increase in global production but soon more countries will begin using oil. Our final panel speaker, Mr. Owen, talked about the timber industry and how we are losing paper mills and jobs each year when we should be using our timber, a renewable resource for a portion of our energy needs. He discussed torrefaction as a way to utilize low value wood to create energy and create less waste.

Casey Phillips of RedPrint Strategy led a lively discussion about our current political climate, which was appropriate considering we were meeting on Super Tuesday! Mr. Phillips stressed that this is not a conventional time in politics; anything goes. Many nonpoliticians have jumped into the races...and they're winning. It's reality politics. Phillips believes there will be a record voter turnout in November and it may go right down to the wire on votes. As for marketing the campaigns, what they are seeing is that "flashy" campaigns are not working. The current trend is to be simple and authentic.



During lunch we heard from Vanessa Hickman, Executive Director for the Arizona State University Large Land Initiative. She talked about the work they are doing at ASU, the ULI Large Landowner Forum and other large landowner initiatives that provide opportunities to work together across landscapes and issues.

The afternoon session kicked off with Senator Lisa Murkowski from Alaska. She talked about many issues we are all facing such as critical habitat designations, federal land trades, energy and wildfires. Senator Murkowski described how some of the issues are affecting those in Alaska. Particularly interesting was the community of King Cove and their quest for an easement through a wildlife refuge for a road into their community. They have been unable to reach a deal that will grant them access.

Next, New Mexico Land Commissioner Aubrey Dunn briefed us on an issue they are working on in New Mexico. They have several large scale solar and wind energy projects in the state requiring easements for large transmission lines to carry the energy to its destination. Proposed FERC legislation would damage the state's ability to negotiate a fair value for such use across state trust land. The State Land Office is working on a right-of-way valuation model that is grounded in business best practice and would appropriately compensate the trust land beneficiaries.



Late afternoon discussions focused on fire funding and management. We heard from Senator James Risch (ID) and Tom Tidwell, Chief of the US Forest Service. Senator Risch talked about legislation to help fund wildfires similar to FEMA and other disasters. He concurred with what we had heard from others that the states should have more say in what happens to lands within their boundaries. Lands in the West have long been thought of as the “Easterner’s playground” and it was commented that land issues may not be so much a partisan issue, but one of East versus West. Chief Tidwell began his comments with some staggering statistics. In 2015, 10.1 million acres burned within 68,000 wildfires at a total cost of \$2.9 billion. Included in those numbers were 4,500 homes and 13 firefighters lost. The reasons for these high numbers, are the hotter, drier and longer fire seasons we now experience. Chief Tidwell also said that 58 million of the 193 million acres are deemed as vulnerable. And, it is estimated that 57 million acres will be developed over the next 20 years. On top of all of this the USFS staffing

is significantly down. The question remains of where they will get funding outside of their annual budget to cover the wildland firefighting costs. He also spoke briefly about the tremendous downturn of saw timber costs and gave an update on the groundwater rule that was proposed last year but put on hold.



Our final speaker of the day-long conference was Congressman Tom Cole (OK). He briefed us on today's facts and how Congress is doing. The current budget crisis will largely be dependent on the next administration; however it is interesting to note that our spending is less than it was in 2008. Cole echoed the sentiments of others by saying that this is no ordinary election year and that there will not be much movement in the Congress until the elections are over. He left us with two quotes...

“You can always count on Americans to do the right thing – after they’ve tried everything else.” – Winston Churchill

And, from Abraham Lincoln’s letter to Congress prior to signing the Emancipation Proclamation,

“...We shall nobly save, or meanly lose, the last best hope of earth.”

Wednesday folks headed out on hill visits to state delegation offices and a variety of agency staffs. The conference closed with a final reception where Senator Michael Rounds (SD) encouraged us once again to keep members of congress informed about our issues.



Idaho

Hundreds more lake lots cleared for auction before end of 2019

The Land Board's vote today provides certainty that remaining lessees have the opportunity to participate in a voluntary auction for ownership of the lot they lease by the end of 2019, if they choose. There are 253 remaining cottage site lots at Priest Lake and 84 remaining cottage site lots at Payette Lake.

The lands are owned by the State of Idaho but the cabins and other improvements on the land are owned by individuals as personal property. The families lease the lands from the state.

In 2014, the Land Board approved a three-year plan for the auction of 180 leased lots between the two lakes. There were more than 180 lessees interested in participating in the auctions, so those not in the three-year plan now will have the chance to bid, by 2019, on the lot they lease.

All endowment lands are appraised for their market value right before an auction, and the lands cannot be sold for less than the appraised value.

For a list of remaining Priest Lake lots and their four-year auction positions, [click here](#). For a list of remaining Payette Lake lots and their four-year auction positions, [click here](#).

Some lessees have expressed interest in continuing to lease. Current leases will be honored for the duration of the lease terms if the lessee chooses not to participate in an auction of the lot they lease before 2019. In the event a lessee wants to participate in the auction of the lot they lease but their lease is due to expire prior to the prescribed auction date, IDL will extend the lease term to coincide with the auction date.

To read the memo on the 2016-2019 Cottage Site Plan from today's Land Board meeting, [click here](#).

In 2010, the Land Board voted to divest ownership of the cottage sites and reinvest the proceeds in assets that produce greater long-term financial returns. Endowment lands are managed under a constitutional mandate to "secure the maximum long-term financial return" to public schools and other endowment beneficiaries.

IDL has auctioned 189 cottage sites since 2011 - 102 lots at Priest Lake and 87 lots at Payette Lake. Overall, the cottage sites have sold for \$1.8 million more than their appraised value.

Most commercial properties could be sold within two years

Real estate experts hired by the Land Board recommended the disposal of most IDL commercial properties in order to take advantage of strong commercial real estate market conditions and maximize the value of the assets. The disposal recommendation also cited the challenges and limitations IDL faces in efficiently owning and operating commercial real estate. The estimated value of all properties that may be disposed is more than \$25 million.

The Land Board approved plans to offer 12 commercial properties for sale during 2016 and four parking lots in 2017, subject to market conditions and other factors.

The Land Board will retain its commercial real estate adviser, CenturyPacific, to prepare the properties for sale, but IDL will initiate a new Request for Proposals for a real estate broker to market and sell the properties.

"The Land Board's consultant presents a compelling case that, in the current market, outside buyers will likely pay more than IDL can earn over time from the commercial properties. Therefore, the plan will permit IDL to seek the highest value in a disciplined and prudent manner," IDL Director Tom Schultz said.

Today's vote comes after two years of working with independent third-party investment consultant Callan Associates to ensure better, more informed decisions on the strategic investment of endowment lands and funds and to improve accountability, transparency and oversight of those decisions.

For a list of properties that may be prepared for auction in 2016 and 2017, [click here](#).

To read the memo on the Commercial Real Estate Business Plans from today's Land Board meeting, [click here](#).

Oregon Land Board Appoints New Agency Director

The State Land Board on February 9 appointed Jim Paul as the director of the Department of State Lands. Jim has served as one of the agency's three assistant directors for nearly six years. He replaces interim director Stephanie Hallock and the previous director, Mary Abrams.



Jim's career in public service began in 1996 in the Oregon Department of Forestry's forest practices monitoring program. He went on to serve as the hydrologist for the agency from 1999 to 2003, providing technical and policy support on water quality and forest riparian protection rules and initiatives.

In 2006 Jim was appointed State Forests Division Chief at Forestry, and then to Private Forests Division Chief in 2008. He came to State Lands in 2010 to oversee the Land Management Division. Since an agency-wide reorganization in 2014, Jim has been the assistant director of the Common School Fund Property Program.

During his tenure at DSL Jim has overseen a number of agency initiatives, including the 2012 Real Estate Asset Management Plan, the Remediation Rules Advisory Committee for state-owned waterways, the Filled Lands Advisory Group, the remodeling of the DSL headquarters office, and the Elliott State Forest project.

Jim holds a Bachelor of Arts in Political Science from Whitman College and a Master of Science in Forest Hydrology from the University of Washington.

Member News

If you have news to share in our next newsletter or on the website, please email Nikki Heck (AR) at nheck@cosl.org.

What's Happening...

Association developing comments to the BLM proposed new planning rule (Planning 2.0)

BLM announced February 11, it would modestly revise its existing planning rule. Among the proposed changes are a greater emphasis on broad area planning, preparation of an assessment prior to writing a management plan and earlier public involvement in the planning process. A variety of public meetings and webinars are scheduled and posted at www.blm.gov/plan2. BLM's old planning rules – posted in 1979, 1983 and 2005 – guide the management of public lands, as required by the Federal Land Policy and Management Act of 1976.

Upon initial review of the proposed new rule the changes look to constitute far more than a modest revision. Several groups have already petitioned the agency for an extension of the April 25th comment period deadline due to an apparent complete overhaul, and to provide adequate time to analyze potential impacts. However, there is no guarantee additional time will be provided. The WSLCA is working with state and affiliate members to better understand the proposed changes and develop a comprehensive response. Please send any comments or concerns to WSLCA executive director, Kathy Opp. She and education outreach coordinator, Allen Freemyer, will prepare the association comments.

Large landowner forum set as part of the ULI 2016 Spring meeting

The Urban Land Institute (ULI) is an independent global nonprofit supported by members representing the entire spectrum of real estate development and land use disciplines. Held in conjunction with the larger ULI meeting is the third annual ULI Large Landowners Forum. This event is scheduled for Philadelphia, PA on April 19, 2016 and represents an opportunity to dialog with private real estate owners and trust managers who face similar challenges to the WSLCA members when it comes to long-term asset management and eventual conversion to higher and better uses. If WSLCA members are interested in attending please contact the Forum co-chair, Vanessa Hickman at (602-403-1272), for further details.

Subsurface Committee Royalty Working Conference - April 21-22 in Denver, CO

There is still time to register for the Royalty Working Group Conference. This session promises to be an education packed opportunity for members. In addition to general session topics, concurrent sessions focused on either oil and gas or hard rock mineral issues, will provide in-depth technical discussion and information sharing opportunities. The conference is open to all WSLCA state and affiliate members and will be conducted at the Colorado State Board of Land Commissioners office.

Conference cost is \$150 per person, this includes lunch on Thursday and the industry mixer on Thursday evening. Deadline to register for the conference is April 4th. If you have questions please contact WSLCA Executive Director Kathy Opp (kathyjopp@gmail.com) Registration materials can be found on the WSLCA website (www.wslca.org).

Affiliate Member Spotlight...



Headquartered in Oklahoma City, Devon Energy is an independent oil and natural gas exploration and production company, with operations focused onshore in the United States and Canada.

Devon Energy is a Fortune 500 company that has more than doubled its onshore North American oil production since 2011. The company produces about 1.6 billion cubic feet of natural gas a day and about 130,000 barrels of natural gas liquids per day.

Devon's mission statement focuses on being a results-oriented company that builds value for shareholders through its employees. The company strives to create a culture of health, safety and environmental stewardship in an atmosphere of optimism, teamwork, creativity and resourcefulness.

According to their company profile, Devon's philosophy is that "to be the best, we need the best people – people who are always striving to obtain more and to maximize value for our company."

Affiliate Memberships...

WSLCA has adopted an Affiliate Membership program in order to provide public and private entities and individuals who share common interests in the WSLCA's objectives with an opportunity to formally communicate and cooperate with WSLCA members. The program allows Affiliate Members the opportunity to participate in the WSLCA's biannual conferences and to talk directly with other members on issues important to both. Applicants must be a corporation, non-profit entity, or an individual that has been recommended by a member state, approved by the WSLCA Executive Committee and paid at least one year of annual dues. Please see the affiliate page of the WSLCA 'Affiliate Members' web page for more information.

Welcome to our newest affiliate members...

Kelley Drye & Warren LLP Opportune

2016 Affiliate Members

Anadarko
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American Petroleum Institute
Anschutz
Apex TITAN, Inc.
Bank of Oklahoma Financial
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