

DIVISION OF
STATE LANDS

The Oregon State Land Board met in regular session on April 9, 1991, at 10:00 a.m. in the Land Board Room of the State Lands Building, 775 Summer Street N.E., Salem, Oregon, 97310.

Present were:

Barbara Roberts	Governor
Phil Keisling	Secretary of State
Tony Meeker	State Treasurer

STATE LAND BOARD

BARBARA ROBERTS
Governor

PHIL KEISLING
Secretary of State

ANTHONY MEEKER
State Treasurer

<u>Assistants</u>	<u>Dept. of Justice</u>	<u>Staff</u>
Martha Pagel Nina Johnson Michael Ryan	Bill Cook	Janet Neuman Earle Johnson Gary Van Horn Agency staff

The meeting was called to order by Governor Roberts. The topics discussed and the results of those discussions are listed as follows. Further details of the discussions may be obtained in the transcript of the meeting available at the Division of State Lands, 775 Summer Street NE, Salem, Oregon 97310.

Land Sale Request for approval to sell one parcel of common school grazing land in Sherman County to Paul and Carl J. Sather.

Director Neuman introduced this item requesting approval for the sale of 280 acres of common school grazing land in Sherman County for the appraised value of \$30,800. This parcel of state land is surrounded on two sides by private land owned by Mr. and Mrs. Sather, who wish to purchase it. Both this state-owned parcel and the private-owned lands are involved in the Buck Hollow Watershed Enhancement Project. It was determined that sale of the property would be of greater economic benefit to the Common School Fund than continued leasing.



State Treasurer Meeker moved the item be approved. Secretary of State Keisling seconded the motion, and the decision was unanimous.

Land Sale Request for approval to sell one parcel of common school grazing land in Wasco County to Daniel L. Carver.

Director Neuman introduced this item for a request for approval of the sale of 333.59 acres of common school grazing land in Wasco County for the appraised value of \$16,700. Mr. Carver owns all the private holdings of land surrounding the state-owned land. As in the previous agenda item, it was determined the state would benefit more by sale of the property than by continued leasing.

Secretary of State Keisling moved the item be approved. State Treasurer Meeker seconded the motion, and the decision was unanimous.

Drought Update

Director Neuman introduced A.K. Majors, assistant rangeland manager, who discussed the current drought conditions in the southeastern Oregon area. A.K. had photographs of certain areas of state-owned grazing lands in previous years along with pictures of the current situation for the Board to see and compare.

A.K. reported that about half of the lessees are paying for actual grazing use, rather than their full lease payment. Three lessees are being completely excused from lease payment due to total non-use of their leased land. He projects a loss of \$50-60,000 of revenue this year due to the drought.

Investment Policy Annual review of investment policies for the Common School Fund.

Director Neuman began the discussion with a review of the changes that have taken place regarding investments of the Fund. She stated that in January 1990, the Board set in motion the investment policy that we now have. This took place after some constitutional and legislative changes beginning in 1987 with the goal of increasing the principal of the Common School Fund to enable it to be more of a factor in school finance over the long term.

One of these changes allowed the Division's operating expenses to be paid from the Fund's interest income, rather than from the property revenue as it was paid into the Fund, to help the principal of the Fund to grow faster. Another change allowed up to 50 percent of the contributions to the Fund to be invested in stocks, providing diversification of the Fund, enabling it to better weather changes in the bond market and be more stable over the long term. In light of these changes, in January 1990, the Board set the following policies to guide the investment of the Fund during 1990:

1. Maintenance of the amount of funds invested in bonds at around \$161 million, which was the amount of the Fund in bonds at that time.
2. Investment of all new revenues coming into the Fund in stocks, in the form of a stock index fund, to provide diversity and stability.
3. Reinvestment of all capital gains realized from stock investments into the stock index fund.
4. Establishment of a regular annual review of the investment strategy.

Director Neuman introduced Deputy State Treasurer Steve Smith and Bill Unverzagt, from the State Treasurer's office, who gave an overview of Common School Fund finances and this past year's activities.

Bill Unverzagt reviewed the Common School Fund Annual Report for 1990 and spoke about status of the bond fund and what types of investments took place in 1990. Deputy State Treasurer Steve Smith gave a status report on the equities fund.

It was reported that distributions to the schools declined from \$17.5 million in 1988 to \$14.2 million for 1989, due mainly to the implementation of the constitutional and statutory changes. Though the Common School Fund only provides between \$21 and \$27 per student per year (out of an estimated cost of \$4,627) many school districts still rely on receiving that steady distribution. Concerns have been expressed recently by school representatives regarding this decrease and their desire to have stable distributions, especially in light of the passage of Measure 5.

Greg McMurdo, Deputy Superintendent of Public Instruction, shared that he agrees with the strategy the Board has taken to enable the Fund to develop, but stated he felt the timing was unfortunate. He stressed the importance of the distributions, though they are small, not dropping drastically. He recommended that the equities issue be revisited later.

State Treasurer Meeker recommended that the Land Board ask the Oregon Investment Council to evaluate the best course that the Board could take as far as potential investment options in order to maximize the Fund. The other members of the Board agreed that this request should be made.

Consent Agenda

Exchange

Request for approval of proposed exchange of Board of Forestry common mineral rights for rights to common minerals owned by Longview Fibre Company.

OCZMA Grant Funds

Request for approval of adjustment to South Slough National Estuarine Research Reserve's 1989-91 budget to receive Coastal Zone Management grant funds from the Department of Land Conservation and Development.

Corps Grant Funds

Request for approval of adjustment to 1991-93 budget to accept \$40,000 in Federal Funds under an extension of an existing Corps of Engineers' contract to support coordination, monitoring, and compliance efforts in the removal-fill permit program area.

EPA Grant Funds

Request for approval to accept a \$326,600 Environmental Protection Agency grant for a joint proposal by four agencies concerning wetlands management.

Secretary of State Keisling moved the items on the consent agenda be approved. State Treasurer Meeker seconded the motion, and the approval was unanimous.

Budget Update

Director Neuman reported that the Governor's recommended budget passed in The Natural Resources Subcommittee and was to go before the full Ways and Means Committee in the next week. A one-percent reduction was imposed on the South Slough's and Natural Heritage Advisory Council's budget. Certain changes were made in the expenses for overtime and temporary help, but other than these changes, Director Neuman reported the budget faired well.

South Tongue Point Update

Director Neuman began this update by reviewing the Board's earlier request for the Division to proceed with some preliminary economic and feasibility studies to examine the prospects for developing the South Tongue Point property. She introduced David Blum, our South Tongue Point project coordinator, and Rich Leonard, from David Evans & Associates, who has been doing master planning for the site. She reported that the Navy has made a commitment to lease a portion of South Tongue Point. They plan to homeport only two minesweepers, the first to arrive by April 1993. This eliminates the need for dredging because these vessels do not have a deep draft requirement. It also greatly reduces local opposition to the project, since the vessels being homeported here are not nuclear vessels.

Rich Leonard discussed the master planning process that is occurring for the site.

Greg Baker from the Economic Development Department and David Blum gave a review of the discussions they are having with potential tenants for the rest of the site.

The meeting was adjourned.

Janet C. Neuman
Director

Barbara Roberts
Governor

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