

DIVISION OF
STATE LANDS

The Oregon State Land Board met in regular session on April 13, 1993 at 10:00 a.m. in the Land Board Room of the State Lands Building, 775 Summer Street N.E., Salem, Oregon 97310.

STATE LAND BOARD

BARBARA ROBERTS
Governor

PHIL KEISLING
Secretary of State

JIM HILL
State Treasurer

Present were:

Barbara Roberts	Governor
Phil Keisling	Secretary of State
Jim Hill	State Treasurer

Assistants

Dept. of Justice

Staff

Anne W. Squier
Nina Johnson
Rollie Wisbrock

Bill Cook

Gary Gustafson
Earle Johnson
Gary Van Horn
Steve Purchase
agency staff

The meeting was called to order by Governor Roberts. The topics discussed and the results of those discussions in the regular session of the meeting are listed as follows. Further details of the discussions may be obtained in the written transcript of the meeting available at the Division of State Lands, 775 Summer Street NE, Salem, Oregon 97310 (phone: 378-3805).

**Medical/Dental
Student Loan
Program**

Request for authority to enter into an interagency agreement with Oregon Health Sciences University (OHSU) for the Medical/Dental Student Loan Program.

Director Gustafson introduced this item saying this is a very important program for the state, as it funds loans for qualified veterinary, medical and dental students who may have no other way of obtaining loans to go to school. The proposal today would authorize transfer of the administration of this loan program from the Division of State Lands to the Oregon Health Sciences University.



Director Gustafson reported that the portfolio currently consists of \$3.6 million in loans to 764 individuals. These loans are guaranteed by the State Scholarship Commission and the default rate is very low. Last year the Board discussed whether to continue making loans and whether the program should be sold or transferred. The loans are made from the Common School Fund. The interest rate charged has met or exceeded what would be received from the bond portfolio, so the program has made money for the Fund in the past. Director Gustafson said the Board had previously established a ceiling of \$600,000 per year on total loans. He said if the Board approved transfer of the administration of the program, he recommended retention of this annual ceiling. The Division's 93-95 proposed budget provides that the student loan portfolio will be either transferred to another state agency or sold.

OHSU representatives met recently with the Division of State Lands to discuss their interest in administering the program through an interagency agreement. Director Gustafson said OHSU is prepared for the transfer and has a computer system that could easily integrate the program.

Director Gustafson also said that OHSU intends to ensure that both the Common School Fund and the General Fund will be held harmless from loan default risk through the creation of a ready reserve fund obtained through the loan interest payments (or similar mechanism).

The transfer, if approved, would take place at the beginning of the 1993-95 biennium. Ongoing appropriations from the Common School Fund would be the only aspect of the program remaining within the Division of State Lands, much like the appropriation of funds to Forestry for their administration of the common school forest lands.

Secretary of State Keisling asked what interest rate is currently being charged for the loans. Director Gustafson replied that interest rates range from six to 10.35 percent per annum, using simple interest calculation. The estimated blended average rate is close to nine percent. He said each year the loan rate is based on the State Treasurer's estimate of the bond portfolio return.

Secretary of State Keisling said he is pleased that an accommodation to continue the services of this program is possible. He also recommended that OHSU explore ways to use the loan program to encourage general and family practice physicians to go to rural areas, stating the lack of medical personnel in rural communities has been a problem. Governor Roberts agreed that this is a problem she would like addressed with this program as well. She asked if the transfer of the loan program would in any way affect the budget that was presented to the Legislature. Director Gustafson replied there would be no impact.

Governor Roberts also suggested that at sometime in the future the Board should examine the appropriateness of using the funds for only medical/dental and veterinary related school loans, when there are other needs, particularly in the environmental sciences, which are critical to the state's future.

State Treasurer Hill moved the Division be authorized to enter into an interagency agreement with the Oregon Health Sciences University to transfer the Medical Dental Student Loan Program, and that it continue to be funded up to a level of \$600,000 per year. Secretary of State Keisling seconded the motion and the approval was unanimous.

Consent agenda

Scenic Waterway Request by Grant County Road Department to place up to 120 cubic yards of rock riprap for erosion protection at three locations within the Middle Fork John Day River Scenic Waterway at river mile 18.6, 24.4, and 27.5.

Scenic Waterway Request by Sunriver Properties Oregon, Ltd. to dredge 50 cubic yards of silt from the entry to their marina within the Deschutes River Scenic Waterway.

Scenic Waterway Request by Tillamook County to conduct road maintenance activities on a tributary to the Nestucca River Scenic Waterway.

Minutes Request for approval of March 9, 1993 State Land Board minutes.

Secretary of State Keisling moved the consent agenda be approved. State Treasurer Hill seconded the motion and the approval was unanimous.

Forestry Department of Forestry contract update.

Director Gustafson said the Division and the Department of Forestry are reviewing the existing timber management contract for management of the common school forest lands. He said the present contract dates back to 1982 and with the evolution of federal and state laws needs to be brought current with changing conditions. Considerable progress has already been made to revise the contract, and he expects the amended contract should be brought before the Board in the next few months for consideration.

Reorganization

Division of State Lands reorganization update.

Director Gustafson said that his experience first as deputy director and then as acting director of the agency allowed him to view areas within the agency that need strengthening to be more efficient and better serve the public. He is proposing a reorganization of the agency to be effective on July 1, 1993. The most significant aspect of the reorganization is the combining of the proprietary and the regulatory functions into one Field Operations Section. He said this would allow staff to become more knowledgeable about all Division responsibilities and enable them to make decisions on the removal-fill, leasing and other land management functions rather than having to defer to one another. It will also provide for better public interface by allowing staff to explain and deal with the totality of our programs, rather than only one aspect. He shared his plans for a public room in the current receptionist area, where the public would be assisted by a staff member with general program information, brochures and applications. Computers would also be available that would allow the public to research non-confidential, unclaimed property records. The reorganization will require several employees to be transferred to the Bend office, expanding the coverage in that region for much improved public service to the people in central and eastern Oregon.

He also discussed his plans for establishment of a new Policy and Planning Section which will have responsibility for policies, procedures, plans and rulemaking. This section will also cover the wetlands planning and Geographical Information Systems.

Director Gustafson said he would keep the Board and their assistants informed as progress is made toward the reorganization. He announced that the Deputy Director position will also be eliminated in favor of a Special Assistant position that will be filled by Jane Ard, now an Assistant Attorney General, who will begin work at the Division on May 17, 1993. The reorganization will also greatly improve the Division's span of control.

Secretary of State Keisling expressed his appreciation at the staff work involved in working through the reorganization plan.

Governor Roberts said she appreciates the commitment to a more efficient and better working agency, especially with the eastern and central Oregon outreach.

Governor Roberts then called an executive session under ORS 192.660(1)(h) to consult with counsel concerning legal rights

and duties of the Board with regard to current litigation or litigation likely to be filed.

After completion of the executive session and return to the regular session of the Board, State Treasurer Hill moved the Board adjourn. Secretary of State Keisling seconded the motion and the approval was unanimous. The meeting was adjourned at 12:11 p.m.