MINUTE ITEM
This Calendar Item No. 27
was approved as Minute Item
No. 27 by the State Lands
Commission by a vote of 3
to 0 at its 8-20-87
meeting.

CALENDAR ITEM

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08/20/87
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ACCEPTANCE OF "SCHOOL LAND MANAGEMENT REPORT"
AND AUTHORIZATION TO DELIVER SAID REPORT
TO THE STATE TEACHER'S RETIREMENT SYSTEM

Prior to April 1970, the school and lieu lands were indiscriminately sold to whoever would bid the greatest price per acre. The State Lands Commission maintained a sales list by county and made this list available to interested parties. This management philosophy, as might be expected, resulted in the sale of the most desirable lands and left the State with a pool of some 587,000 acres of low grade lands.

In April 1970, the Commission declared a moratorium on the sale of school and lieu lands, ordered an inventory and classification program and expressed concern for the depleted state of the asset. Funding problems limited the Commission's ability to complete the inventory and classification program. The sales moratorium is still in effect.

Legislation passed in 1984 directed that net revenues from uses of State school and lieu lands be deposited into the Teacher's Retirement Fund (PRC 6217.5). With the enactment of the School Land Bank Act (PRC 8700 - 8716), the Legislature also recognized the need to actively manage and enhance the school lands into an economic base. The act provides that the net proceeds fro sales of school and lieu lands are to be deposited in the School Land Bank Fund which shall be used for the maintenance and betterment of the school land asset.

(REVISED 08/19/87)

The Act further directs the State Lands Commission to plan and implement all transactions which would facilitate the management of school land interests for revenue generating purposes and to take all action necessary to fully develop school land interests into a productive and permanent resource base.

The staff of the State Lands Commission has reviewed its current management program with the aid of a consultant and has prepared a "School Land Management Report", a summary of which is attached as Exhibit "A". The report discusses various strategies to enhance and develop the school land asset's revenue generating potential and makes management recommendations towards the fulfillment of the Legislature's mandate.

Pursuant to the Commission's delegation of authority and the State CEQA guidelines (14 Cal. Adm. Code 15061), the staff has determined that this activity is exempt from the requirements of the CEQA as a statutorily exempt project. The project is exempt because it involves a feasibility or planning study for possible future action which the Commission has not approved, adopted, or funded.

EXHIBIT:

A. Executive Summary, School Land Management Report

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THIS ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF CEQA PURSUANT TO 14 CAL. ADM. CODE 15061 AS A STATUTORY EXEMPT PROJECT PURSUANT TO P.R.C. 21102 AND 14 CAL. ADM. CODE 15262, FEASIBILITY OR PLANNING STUDY FOR POSSIBLE FUTURE ACTION WHICH THE COMMISSION HAS NOT APPROVED, ADOPTED, OR FUNDED; AND

2. ACCEPT THE REPORT, EXHIBIT "A", ENTITLED " SCHOOL LAND MANAGEMENT REPORT" AND STIPULATE THAT SAID ACCEPTANCE CONSTITUTES NEITHER THE ADOPTION BY THE COMMISSION OF ANY RECOMMENDATION THEREIN NOR AUTHORIZATION FOR ANY ACTION WHICH WOULD CONSTITUTE A PROJECT UNDER THE PROVISIONS OF CEQA OR ITS GUIDELINES; AND

3. AUTHORIZE STAFF TO DELIVER A COPY OF SAID REPORT TO THE STATE TEACHER'S RETIREMENT SYSTEM.

EXHIBIT "A"

SCHOOL LAND MANAGEMENT REPORT

EXECUTIVE SUMMARY

California school lands are a valuable asset of more than 587,000 acres of full fee estate and 700,000 acres of reserved mineral interest. The State Teachers' Retirement System (STRS) has been designated the beneficiary of this asset. Day-to-day management of the land is a continuing responsibility of the State Lands Commission.

Until 1984 when the Legislature made the Teachers' Retirement System the beneficiary of the school land estate, there was no interest group focused on the management of these lands. Utilizing the opportunity provided by the involvement of STRS, the Commission has invested in a planning and inventory program. Among the planning efforts taken was a consultant review of the school land asset. With existing staff and other consultants, a significant information data base has been prepared.

Staff has prepared a report of the results of this investment and suggests adoption of some recommendations for future management of the school lands. This Executive Summary highlights the major points of that report.

BACKGROUND

State school lands are a diverse allotment of land from the federal public domain granted originally to provide a resource base for a free public school system. Of the 5.5 million acres allotted to California, all but 585,000 acres (1,600 parcels) have been sold or transferred out of Commission jurisdiction. The State reserved in these sales mineral interests of either one-sixteenth or 100 percent on approximately 700,000 acres (3,900 parcels). Further sale of the school land asset was halted in 1970 by the Commission to prevent further erosion of the asset.

It is this asset of roughly 1.3 million acres which benefits the State Teachers' Retirement System. An additional 55,000 acres are still due the State in place of lands the State should have received but didn't.

LEGISLATIVE DIRECTION

The Legislature established the following management goals in enacting the State School Land Bank Act:

A) It is essential that all remaining school lands and attendant interests be managed and enhanced to provide an economic base for the support of the public school system.

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B) The Commission shall plan and implement all transactions, including exchanges, sales and acquisitions which would facilitate the management of school land interests for revenue generating purposes.

C) The State, through the Commission, shall take all action necessary to fully develop school lands, indemnity interests, and attendant mineral interests into a permanent and productive resource base.

D) It is in the best interest of the State that school lands be managed as a revenue source and it is the intent of the Legislature that fair market value be a primary criterion in determing if proposed uses of dispositions of land should be approved.

E) The consolidation of school land parcels into contiguous holdings is essential to sound and effective management and the power to acquire lands by exchange or purchase is essential to the consolidation process.

Meeting these goals without diminishing the overall school land estate is facilitated by the Land Bank provisions. Under the land bank statutes, the Commission may sell school lands and deposit the proceeds into the land bank account.

Banked funds may then be used to acquire other lands, inholdings or rights-of-way as necessary for maximum revenue production from the asset.

MAJOR OBSTACLES TO EFFECTIVE MANAGEMENT

Management of California's school land asset of scattered, often remote parcels as directed by the Legislature is a major challenge. Obstacles abound, with each one an opportunity for unique and creative solutions. The revenue producing ability of a majority of the parcels is limited by such factors as:*

- LOCATION - 80%

  Over 80% of the parcels are in the desert areas of seven southern counties. Land values are low and not appreciating as fast as the inflation rate.

- RESTRICTIONS - 31%

  Lands are included within the boundaries of national parks, national forests, national monuments or military reservations.

*Percentages add up to more than one hundred percent as some parcels fit into more than one category.

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- CONTAMINATION - 4%

  Areas were used by the military services for exercises and are impacted with ordnance.

- PROTECTION - 31%

  Contain sensitive environmental values.

MANAGEMENT STRATEGIES

Utilizing the consultant's study and staff's manpower investment of the past two years, some clear management strategies have been developed. The key is to place the school land asset into a revenue position of maximum benefit to the Retirement System. These strategies, when carried out as recommended, will accomplish the legislative goals.

Complete Inventory and Classification

A key element in enhancement and development is to determine which of the presently held parcels should be retained and which scheduled for disposal. Parcels identified for disposal can be sold and the proceeds placed in the land bank for purchase of productive lands. Or the lands can be exchanged for other lands with revenue advantage. The cost

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effectiveness of each proposed transaction must be evaluated to assure that a net enhancement of the asset base will occur.

Complete Indemnity Selection

Bureau of Land Management lands with revenue generating potential should be identified and acquired in satisfying the remaining 55,000 acres entitlement of school lands. The only limitation to this would be 1300 acres of mineral entitlement within the Elk Hills Naval Petroleum Reserve. Two sections are involved in Elk Hills and have major economic consequence. Litigation has been authorized by the Commission to determine whether the State may have these parcels in place or must select other lands in lieu thereof.

Develop Retained Parcels

Initial effort on retained parcels should be to enhance revenues. This would involve surface leasing, mineral development and forestry. An active program of aggressive surface leasing and development will be begun on suitable parcels. Streamlining and simplifying mineral permitting procedures will improve the potential for mineral development, particularly in areas of unknown mineral resources. Scattered forest parcels should be reviewed for possible sale.

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Develop Information System

A key ingredient of cost effectiveness is development of an information system that allows rapid response to queries about the asset. This system needs to be able to develop data for monitoring the productivity of the assets including revenue/cost analysis and modelling to aid in management planning.

IMPLEMENTATION RECOMMENDATIONS

Carrying out these strategies will require the following steps:

- Develop and maintain computer data bases as land and mineral management tools.
- Develop criteria for classification of parcels based on sound economic principles.
- Inventory and classify the existing asset with priority given to parcels with a high probability of revenue potential as determined by the above criteria.
- Establish priorities for parcels and schedule for action.

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- Clarify and streamline existing surface and mineral programs for value enhancement or disposal of the land.

- Initiate acquisition of revenue producing lands.

- Initiate sales program for disposal of lands so classified.

- Establish development program for retained parcels.

The final copy of the School Land Management Report will be ready for reproduction at the end of August 1987. It will be send to each of the Commissioners and to STRS.

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