

2009 CLASS Conference Recap
July 11-14
The Children's Inheritance – Our Stewardship

As I prepared to speak – I knew very little about the organization. Children's Land Alliance Supporting Schools (CLASS) is a corporation organized under the state of Utah since 2002.

- Vision: States fulfill their fiduciary duty to the common school trust beneficiaries.
- Mission: Educate and advocate on behalf of public school children for prudent and profitable management of the school trust lands and permanent funds.

I knew this is a place I would feel very comfortable. It became very clear their mission matched my passion. Sharing the Minnesota story of the School Trust Land legislation passed in 2008 was going to fit perfectly in their mission and vision.

My role today is to reflect on the conference and share some of the highlights. In my opinion the conference did six things:

- **Educate**
- **Support beneficiaries of school trust land**
- **Promote Awareness in individual states and nation**
- **Support Success for States – research, legal**
- **Inspire delegates to create success in their state**
- **Share best practices across states**

1. Educate

CLASS clearly acknowledges each state is different from beginning with the original grant of land to geographical location and resources. They acknowledge that School Trust Lands picture continues to change due to management structure, political support, state statutes, evolving land opportunities and the level of involvement of beneficiaries. What surprised me was the many ways the trusts were the same; yet different.

CLASS maintains a website with links to information specific to each state as well as comparison information. As states are added or changed their information is added or changed. Any given day you can access using their website for Minnesota and any other of the STL States:

- Land Commissioner or structure for management (diverse)
- Types of land
- Funds in each state

Over the years, almost all the school lands east of the Mississippi Rive and sizeable amounts in the west have been sold. There are 45 M acres of land held in trust by states as the trustee for the support of public schools. The lands make money just as other land does: cattle grazing, timber harvest, mineral royalties, grocery store and mall lease and sales for homes and businesses.

Some states spend a portion of the annual revenues and some states save all the proceeds. All states use the interest and dividends from the investment to support education.

I see the CLASS website as a national clearing house for those who have a **shared passion for the trusts.**

2. Support Beneficiaries

There are 19 states that participate in CLASS. Between 10-15 states represented. CLASS represents and supports school trust land beneficiaries:

- State PTAs,
- state offices of education,
- state school boards,
- state teachers organizations and
- organizations that represent principals, superintendents, and local school boards.

For years have promoted:

- Improved education through increased revenue from school trusts
- Support congressional actions that benefit school lands and schools
- Increase revenue through improved investment strategies
- Information for land managers
- Assistance in development of public information and their exclusive purpose for school children

3. Promote Awareness:

It seemed like all conversations return to this goal. How do we create awareness of the lands, trust, and money to beneficiaries which are the schools and students?

Without widespread awareness of the constitutional purpose of STL the threat exists that there are or there will be those who would like to spend the funds to meet short-term needs which is illegal since the beneficiaries of the trust are school children of future generations. **The funds are guarded by provisions in State Constitutions, BUT education leaders must know about these provisions to protect the funds. Our challenge is to:**

- Educate all residents about school trust lands, the trust and revenue.
- School Board members encouraged to form a Trust Lands Task Force.
- Begin an education campaign to educate the public in the State of MN about the school trust lands through the school boards and parent organizations.

4. CLASS Support Success for States – research and legal

Kevin Carter is the Land Trust Administrator for UT where he worked on a land exchange for four years. The state of UT only land exchange legislation considered by the committee HR1275, the Utah land exchange Act that passed the House July 8th. He will be a good resource if and when we pursue land swaps and sales in the BWCA. He is hoping this administration will be better than the last.

Future Success (During States oll call):

- Fair market value for hunting
- Convince board of education they have a role in trust lands
- Reaching NEA
- Educating the PTAs
- Distinguish that trust lands are not public lands
- Anyone that uses public trust lands should pay market value
- School Boards, state agencies, users need to understand the difference between public lands and school trust lands
- Set cap on management costs
- Renewable energy opportunities

5. Share Best Practices:

Following is a list of 10 things as compiled by Margaret Bird of CLASS* that have been done in other states to increase the oversight and improve the profitable management of School Trust Lands. I submit these ten items for the committee to further investigate since it our job to be creative, challenging and resourceful I the management of our school trust lands...now more than ever in these challenging economic time for our schools.

1. Request a list of all sales including the number of acres sold, the total sale price, the price paid per acre, and the date sold to other state agencies in the last 30 years. Many states have experienced sweetheart deals to sister state agencies. Utah sold over 2,000 acres for \$200 per acre when adjoining lands were selling between \$12,000 and \$18,000 per acre.
2. Request a list of leases to governmental agencies, including the term or length of the lease, the date first issued, the number of acres leased, the price per acre and the total annual lease payments. Some land management agencies have leased land at far below market rate to the state national guard, other state agencies, and federal agencies. Generally, the lease rental per acre should be approximately equal to the value of the land per acre times the current interest rate. In Utah, we found land being leased at \$0.11 per acre to the Utah National Guard; federal leases for military sites were not any better.
3. Request a list of all leases, the purpose for the lease, its location, its term, and the date issued. Leases for 100 years with no provisions for review and escalation of the annual rental were occurring in Utah prior to the reform of the management of the lands. There were even 2 leases to the Boy Scouts of America for summer camps that were granted through acts of the legislature. After threats of legal action, the BSA found donors with deep pockets to purchase that land at market value for the Boy Scouts. Leases for 40 or 50 years are virtual sales, especially if the lease has no provisions for 3 to 5 year updates of annual rental based on market value. Idaho's Land Board is currently wrestling with the political fallout of giving cottage site lessees rental rates for cabins on lakes and streams far below market rates. Their Attorney General has just issued an opinion that a statutory provision allowing leases below market is unconstitutional.
4. Inquire as to how land is sold in your state. Is it sold at public auction? How are the sales advertised? If they are advertised in the Public Notices section of the paper, it is likely that few show up for the auction and prices paid could be anticipated to be low.
5. Ask the trustee of the school lands to provide a report on how they inform the beneficiaries of the trust. Under established case law, a trustee is required to inform the beneficiary. This has been an area of failure in most states. Many states refer to them as "State Lands" as if the lands held in trust for schools are really the property of the state—rather than viewing the state as the trustee with the full fiduciary duties imposed on the state.
6. Ask for a list of all timber sales, if your state is a timber state, for the last 10 years. Compare the price per board foot with the Department of Agriculture statistics to determine if timber sales appear comparable with your state's average price per board foot.

7. Request information on whether any trust lands are within any State Parks, Wildlife Management Areas, State Forests, Wilderness Areas, National Parks, National Monuments, National Natural Landmarks, or any other state or federal designation. Colorado's State Forest is largely school trust lands. Utah at one point had over 400,000 acres caught inside National Parks and Monuments. Currently Utah has over 1 million acres caught inside lands under consideration by Congress for designation as wilderness.
8. Look at the structure of state government and where the management of school trust lands is or should be placed. Many states still have their school and institutional lands managed within the Department of Natural Resources. The Department is generally required to have a conservation/preservation ethic while the trust is required by law to generate support for schools and other institutions. Such an inherent conflict of interest is not productive. When Utah trust lands were under their last year of management by the Department of Natural Resources in FY 1994, they generated about \$17 million. When they were moved into a quasi-governmental status and told to operate like a business to make money for the schools, their revenue went to \$167 million—same lands but with a different management structure. The trust lands in Utah have also added to the overall economic development of the state under the new structure.
9. How the revenue is invested and what revenue is invested can make a substantive difference. Most Enabling Acts or state constitutions require all proceeds to be invested in the permanent state school fund (or sometimes called the Common School Fund). Some states have chosen to only invest land sale and mineral royalty income, such as Washington. These states are usually those with the smallest school funds. Some states, such as Montana, have invested only in bonds, thus watching their purchasing power erode over the decades.
10. In states where the revenue from the school lands is just added to the overall school funding pot, there is little incentive to watch to insure optimization of the revenue, since schools receive the same revenue whether the land is well managed or not. In states like Washington where the revenue from the renewable resources and from the investment of the permanent school fund, fund new school buildings both funds are carefully monitored. In Arizona, revenue in excess of \$72 million funds the classroom site fund. Arizona education leaders are also involved in the wise management of the lands. In Utah, the interest and dividends from the investment of the permanent school fund, provide \$24 million to each school community council to implement academic programs to enhance student performance.

***Before beginning and considering changes to the management of school trust lands, or the investment of the funds, or the use of the funds, it is important to have the needed data to substantiate why a change would be warranted. Of course, circumstances may vary from state to state just as potential revenue sources have considerable variation.**

6. Inspire:

I was inspired by the leadership of CLASS to be creative, challenging and resourceful in the management of our STL to be as productive as possible for the benefit of our students and the students of the next generation.

In the end, I realized we were an inspiration to the group with the two laws that we passed and the formation of our work groups. Their organization affirms the work we have done and the work we are doing and yet reminds us that we still have work to do.

This conference reminded me again and again: it is a matter of trust and the awesome responsibility to guard, protect and maximize the trust for the benefit of future generations. This responsibility is squarely on the shoulders of the legislature, DNR and the education leaders in the state.