

The State Land Board met in regular session on April 11, 2006 in the Land Board Room of the State Lands Building, 775 Summer Street NE, Salem, Oregon 97301-1279.

Present were:

Theodore R. Kulongoski          Governor  
Randall Edwards                  State Treasurer

<u>Assistants</u>	<u>Staff</u>	<u>Dept. of Justice</u>
Mike Carrier	Ann Hanus	Lore Bensel
Paddy McGuire	John Lilly	
Inga Deckert	Steve Purchase	
	Jeannette Holman	
	Louise Solliday	
	Gail Lowry	
	Vickie Nokleby	

The Governor called the meeting to order at 10:06 A.M. The topics discussed and the results of those discussions are listed as follows.

### **Presentation of State Land Board Awards**

Director Hanus announced the following recipients of awards:

#### **State Land Board Lessee of the Year Award: Port of Siuslaw**

- John Scott
- John Buchanan
- Tom Kartrude

#### **State Land Board Stream Award: Wallowa River/McDaniel Habitat Restoration Project**

- Doug McDaniel
- Gail Hammack

Director Hanus indicated the artwork on the award plaque was created by Portland artist Lillian Pitt, who is a Warm Springs Indian native.

The mask depicting "She Who Watches" is based on a pictograph found along the Columbia River.

Governor Kulongoski presented the Lessee of the Year award to the Port of Siuslaw and stated he is pleased with the work that was done in the marina, their help in launching the program to bring unregistered docks in the Siuslaw River into compliance, and for their public safety outreach in the Old Town Wharf in Florence, Oregon.

Governor Kulongoski presented the Stream award to the Wallowa River/McDaniel Habitat Restoration project. They restored a stretch of the Wallowa River in Northeast Oregon by reestablishing native vegetation in the area. The project also helped to improve in stream habitat diversity and water quality for adult and juvenile summer steelhead and spring Chinook salmon.

Also contributing to the McDaniel Habitat Restoration project, and present to receive the Stream award, were Dorie Welch, Bonneville Power Administration; Tom Byler, Oregon Watershed Enhancement Board; Allen Childs, Confederated Tribes of the Umatilla Indian Reservation; Vance McGowan, NE Region of the Oregon Department of Fish and Wildlife; and, Jeff Oveson, Grande Ronde Model Watershed.

## **Retirement**

Director Hanus announced the retirement of her Executive Assistant and the Land Board Secretary, Gail Lowry. She stated that Gail has provided outstanding service of the highest level and quality over her last 18 years of state service.

Director Hanus also noted that Louise Solliday had joined DSL as the Assistant Director of the Wetlands and Waterways Conservation Division.

## **Consent Items**

- 1a. Request for authorization to submit 2007 legislative concepts to the Department of Administrative Services.**
- b. Request for approval to appear before the April and June 2006 Legislative Emergency Boards to request permission**

- to apply for two federal grants and to increase federal funds expenditure limitations.**
- c. Request for approval of additional acres to the Williamson River Delta Natural Area registration, owned by The Nature Conservancy, to the Oregon Register of Natural Heritage Resources.**
  - d. Request by Clackamas County for a permanent easement for the Revenue Bridge across state-owned submerged and submersible lands of the Sandy River located in Clackamas County.**
  - e. Request for authorization to approve the final land exchange proposal for certain lands in Coos County.**
  - f. Request for authorization to approve the direct sale of a two-acre parcel of submerged and submersible land in Multnomah County.**
  - g. Request for approval of minutes from February 14, 2006 State Land Board meeting.**

Director Hanus reviewed the items on the Consent Agenda for the Land Board's consideration and she recommended approval of the Consent Agenda items.

Director Hanus also reported that DSL has reached an agreement with the Coquille Tribe. It includes an exchange of property, payments and the Tribe agreeing to cleanup part of the waterway and constructing a walkway to allow economic development to benefit the Common School Fund.

Treasurer Edwards asked about the Legislative concept on the removal-fill and if it was a challenge with the revenue for program costs.

Director Hanus reported that the last removal-fill increase was in 1989. She stated that the statutory revenue that should go into the Common School Fund is now funding the removal-fill program. The fee increase would offset those costs.

Treasurer Edwards stated we need to find a way so money is not being drained from our schools.

Director Hanus stated that the agency is trying, through the waterway permit processing improvement team, by building an understanding of support for the removal-fill program and trying to get constituents to see the value of the program and what the increase means and the importance of it.

Treasurer Edwards made a motion to accept the Consent Agenda items.

Governor Kulongoski seconded the motion. The motion passed.

### **Informational Agenda**

2. ODF Report-Forestry Program for Oregon.
3. Unclaimed Property Program Annual Report.
4. Comprehensive Annual Financial Report Audit.
5. Status Report on Asset Management Plan Revision.
6. Status of Director's Grazing Fee Advisory Committee.

Director Hanus introduced Dave Mormon from the Board of Forestry. He gave a progress report on the implementation of the Board's strategic plan, the Forestry Program for Oregon, and their efforts on sustainable forest management.

Dave Mormon provided the Land Board with the Forestry Program for Oregon brochures. He stated the Board of Forestry is entering its third year of implementation of the eight-year strategic forest policy plan. The program provides the mission and a long-range vision for management of all 28 million acres of Oregon's public and private forests.

Dave Mormon indicated that the framework is adapted from the international Montreal process for the conservation and sustainable management of the forests. The process has been endorsed by 12 nations, including the United States. In total, those nations control 90 percent of the world's forests. Oregon is viewed nationally as the

leader in implementing sustainable forest management policy concepts.

The Board of Forestry is promoting a dialog with Oregonians on how to sustainably manage the forestlands for current and future generations.

Dave Morman stated that the Board and the Department need to build and maintain strong cooperative alliances with all governmental, tribal and private partners. There may be value in using this framework as a model for other natural resource sectors. He stated that a key concept is the diversity of Oregon forests is an asset. All forests are needed to contribute to environmental, economic and social sustainability.

During 2006, the Board of Forestry will finalize work on approximately 20-25 sustainable forest management indicators. They will be used to track the collective performance on public and private forestlands. Indicators will help shape and improve social understanding of forests and the forces that influence them that the public will understand. The indicators will help compliment and not be in competition with performance measures or Oregon benchmarks. The Board believes it is important to reach out to all Oregonians.

The Board has several work plans they are currently working on for state forest management. The Board will also be developing work plans on forest certification and invasive species. They will be finding ways to work together with the Land Board and other partners to promote the stable management of Oregon's forest resources.

Treasurer Edwards asked what happens after the eight-year period of the strategic plan.

Dave Mormon stated that this is the fifth edition of the forest program for Oregon that started in the late 70s. The Board has revisited this periodically and they have created a long-term vision that will be updated for review. They look at state, private and federal lands that are 57 percent of the land base. They are looking at an information database for the Board in the future and would update it as needed.

Governor Kulongoski asked if the Legislature was being updated on the Board of Forestry's progress and about their long-term goals and any changes so Legislature understands their progress.

Dave Mormon reported that they do keep the Legislature informed.

Governor Kulongoski stated that he would like to see Oregon be a national leader in renewable and alternative energy. This would be a tremendous asset to Oregon. It would increase energy and free us of being dependent on foreign oil. It would also create many jobs and be a good economic driver, especially in our rural communities. He questioned if this was part of the sustainability objective.

Dave Morman agreed with the Governor's statement. He referenced one of the Board's current work plans, which is called Forest Vitality Work Plan. They are dealing with federal land management and biomass utilization. The Department of Forestry is working with the Department of Energy and a variety of other private and public sector partners on a forest biomass work group that is researching how to take advantage of this resource and accomplish forest health while reducing wildfire risks and increasing economic benefits.

Governor Kulongoski asked if the federal government was receptive to a cooperative approach with the State on the biomass issue.

Forestry will explore options to engage with them in ways to make it work. He stated that the Forest Service and the BLM are partners with ODF in the sustainable forest management discussion.

Governor Kulongoski stated it appears that the federal policy for the revenues that need to be developed for these plans need to be generated by more cutting on the land.

Mr. Morman stated that the potential sunset of the secure rural school payments legislation will create a conversation about the role of federal lands in western states and the government's obligation to provide economic revenue from those lands. He believes they will be working with the federal government through a concept of a stewardship contracting. It will turn those revenues back into the forest so more work can be accomplished.

Director Hanus stated the next item on the informational agenda is an annual report of the Unclaimed Property program from Cyndi Wickham, the Unclaimed Property Program Manager. Director Hanus mentioned receipts and claims have doubled over the last five years. They are now at \$38 million, and claims that have risen from \$5 million to \$11 million. The receipts from Unclaimed Property benefit the Common School Fund and, from the consumer protection

standpoint, the rightful owners. She stated that Unclaimed Property is now the biggest revenue into the Common School Fund.

Director Hanus reported that Cyndi recently gave a presentation to the state agency cabinet on Unclaimed Property. As part of her presentation, a search was performed and unclaimed property was found for Lindsay Ball and Bob Repine.

Wickham reported briefly that the Unclaimed Property program has been on the books since 1957. Originally there was a 25 year escheat law. In 1992, the legislature changed that hold of the unclaimed property in perpetuity, for money has been reported to us since 1957. The balance now is \$217 million in the cash balance and \$5 million in stocks and mutual funds not included in that balance.

Wickham indicated there is a chart provided for the Land Board today that shows from 2000 to 2005 that receipts and claims have doubled. The work sheet shows in 1990 we received \$3.5 million and in 2005 the program received \$38.3 million.

She stated the factors could be contributed to increased awareness on a state level with education efforts to bring more businesses in Oregon into compliance through the agency's audit program. The audit program was implemented in 1995, originally returning \$30 with every \$1 that is spent. She stated that as more businesses have come into compliance, currently the ratio is \$19 to \$1.

Wickham reviewed recent statutory changes that include a shortened dormancy period from five to three years for accounts payable and payroll for certain industries and five to two years for fiduciary funds. This resulted in increased unclaimed property and increased claims.

Corporate actions in the current corporate environment with the constant state of change, mergers, acquisitions and spin-offs have resulted in shareholders losing track of their investments.

When the insurance companies were demutualized about five years ago, a huge influx of unclaimed property was created for all states. This year Oregon received from three Oregon insurance companies a combined total of \$15 million.

Governor Kulongoski asked how long the state holds onto the unclaimed property.

Wickham replied the state will hold the unclaimed property in perpetuity until a person is located. The names are on the agency website so the public can search for their information and for anyone with over \$5,000 in value, the agency has an internal locator service—a dedicated staff person who can look for people.

Governor Kulongoski asked how much DSL spent to locate people versus what DSL receives.

Wickham stated \$38 million was received last biennium and \$10 million was paid out with the figures for the total program cost for the biennium at \$1.8 million.

Governor Kulongoski asked if the program used private contractors to try to locate people.

Wickham reported that the agency does not.

Governor Kulongoski stated he knows there are companies out there in the private practice, a particular company on the east coast that there were problems with, that take 50 percent of the return, so private companies are not utilized.

Wickham stated that was correct. There is a provision in Oregon rules that private finders are required to be licensed as private investigators. Oregon does not have a ceiling on the amount that the finders can charge, which can be anywhere from 30 to 50 percent.

Governor Kulongoski asked if the \$38 million was invested.

Wickham stated it was invested in the Common School Fund.

Governor Kulongoski asked when the money is returned to the owner if the owner receives only the principle.

Wickham stated the earnings from the investment are distributed to public schools.

Governor Kulongoski asked if it was by statute.

Wickham relayed that it was.

Governor Kulongoski asked if he were to look at the 50 states, how long is the period of time that other states hold unclaimed property.

Wickham reported that two states escheats property, Idaho and Hawaii. The time frame is 10 years in Idaho and 25 years in Hawaii. All other states hold the money in perpetuity.

Treasurer Edwards stated that there is an unclaimed property lawsuit pending in Louisiana regarding whether the interest should be paid back to the beneficiary. Louisiana is trying to prevent that because of the large financial price tag.

Wickham reported claims staff has kept the response time to 45 days or less. Recently, because of heavy media coverage in March 2006, staff received over 1,400 claims.

Governor Kulongoski asked if the public was specific when they file a claim as to what their claim would be.

Wickham reported that 80 percent of the public has identified their name on the agency website. It states on the website if their claim is over \$50 or under \$50.

Wickham reported that the agency's part time internal locator has found and paid out over \$2 million in claims. The program has been able to accomplish the workload without additional staff or resources by working more efficiently.

Wickham reported that during the last legislative session, there was a bill introduced by the education beneficiaries related to gift cards to try to get the unused balances put back into statute as unclaimed property. That bill did not make it out of committee. The agency introduced a bill to change the notification requirement; it would have been a benefit to the people who report. The bill wasn't assigned to a committee and then the bill to move the program over to the Treasurer's office did not make it out of committee either.

Wickham reported that there was a major software upgrade in August 2005. She said it has stabilized the computer system and provided the technology to accept claims and reports over the Internet, and participate in the national website. It is an investment in the future.

Wickham stated the program is preparing to perform a system reconciliation. The unclaimed property database needs to be reconciled to the statewide accounting system because it has been out of balance for a number of years through four conversions. The software provider has provided a plan to have the project clean up completed by June 30, 2006.

Wickham indicated there are holder education sessions as part of the outreach efforts. There are 12 sessions planned around the state of Oregon, starting the first week of May. This year, Oregon is partnering with Washington and Idaho to present seminars to holders that report to those states. A traveling presentation is being worked on for the claims, where databases can be taken out to businesses and county fairs to help people find their names.

Wickham said there is a legislative concept that the Land Board heard about earlier. If successful, the dormancy period in Oregon will be the same as Washington and California. Oregon shares the most holders with Washington and California and the legislation would facilitate reporting for the financial institutions that report to all three states.

Wickham stated the audit program is always expanding outreach and also working on a self-audit program in which businesses are doing internal reviews. Results are pending.

Wickham stated some of the external factors that Treasurer Edwards talked about include gift cards as Unclaimed Property. This is a national issue. Many states are placing restrictions on gift cards for balances, dormancy periods and expiration dates. An industry report advised there were about \$110 billion sold in gift card sales in 2005 nationally. Five to ten percent of those card sales are estimated to go unused. At a minimum, Oregon is potentially losing \$15-20 million in unclaimed gift card monies each year. The legislation regarding the gift cards as unclaimed property did not go forward last session, but staff will monitor legislation in 2007.

Director Hanus added there are two aspects to gift cards: potential additional revenue for the Common School Fund and consumer protection. Other states have changed their laws to prevent gift card expiration and charges.

Treasurer Edwards echoed that Unclaimed Property is a consumer protection program.

The Governor asked how Unclaimed Property was handled prior to 1957. Wickham explained that it was handled as "private escheats." A company that generated the property would generally retain those unclaimed monies.

Director Hanus explained that in the late 1990s gift certificates were removed from Unclaimed Property. At that time, the prevalence of gift cards remained on the horizon.

Wickham noted the National Association of State Treasurers and National Association of Unclaimed Property Administrators have called for the savings bond initiative, which is an effort to return matured savings bonds to the rightful owners. The initiative is focused on those matured bonds that are no longer earning interest. The U.S. Treasury is currently not inclined to turn that money directly over to the states. U.S. Representative Dave Kamp, Michigan, intends to introduce legislation to return portions of this money through a reunification action fee to owners and/or states. DSL will continue to monitor the issue and efforts.

Director Hanus noted Unclaimed Property is also working with PERS to search for beneficiaries PERS has been unable to locate.

Governor Kulongoski inquired what percentage of Unclaimed Property claims are state unclaimed property. Wickham responded it was less than 10 percent. She concluded the report.

Director Hanus commented on the remaining informational items, beginning with the Comprehensive Annual Financial Report Audit. For the first time, the Common School Fund was audited in response to changes in the fund classification. The Government Accounting Standards Board changed the classification to a special revenue fund. Previously, the Common School Fund had been classified as a private purpose fund. Now the CSF is, at \$1 billion, the largest special revenue fund and is also subject to auditing each year. Director Hanus said she was very pleased to report the auditors found the CSF in good shape with only one reportable condition concerning Unclaimed Property, mentioned previously by Cyndi Wickham. DSL plans to have that condition corrected by the end of June.

Treasurer Edwards asked what the one reportable condition was.

Director Hanus explained that over the years, as Unclaimed Property went through several system changes, the balances in Unclaimed Property were not reconciled with the balances in the Common School Fund. DSL is in the process of reconciling that difference.

Director Hanus advised a draft of the Asset Management Plan is now available. DSL will be seeking public comment over the next couple months. After the comments are compiled and reviewed with the AMP Advisory Committee, DSL will return to the Land Board later this year with the AMP for adoption.

Director Hanus explained the Grazing Fee Advisory Committee Report is also now available. DSL will be reviewing the recommendations and returning to the Land Board with the final report in June. The report has been distributed to the Grazing Fee Advisory Committee and to the Land Board Assistants for review.

The meeting was adjourned at 11:15 A.M.

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Theodore R. Kulongoski, Governor

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Louise Solliday, Director