

Bill Number: AB 982 (Skinner) as amended on June 30, 2011.

SUMMARY

AB 982 requires the State Lands Commission (SLC) to enter into a memorandum of agreement by April 1, 2012, with the United States Secretary of the Interior to facilitate land exchanges consolidating school land parcels into contiguous holdings for large-scale renewable energy-related projects and requires the commission to submit a report to the Legislature on the status of the memorandum of agreement and the school land consolidation efforts by January 1 of each year.

PURPOSE OF THE BILL

This measure would facilitate land exchanges with the federal government that would consolidate school land parcels in the California desert into contiguous holdings that could be used for large-scale renewable energy-related projects.

BOARD POSITION

SUPPORT. This measure would promote the development of alternative energy projects that could subsequently benefit the Supplemental Benefit Maintenance Account (SBMA) of the Teachers' Retirement Fund.

SUMMARY OF AMENDMENTS

The amendments of June 30, 2011:

- Reinserts reference to desert area, which is defined as the California Desert Conservation Area,
- Changes the environmental criteria and process used to identify areas that would be included in the land exchange proposal,
- Removes the term "commercial" and adds qualifier "large scale" in reference to renewable energy projects
- Adds qualifier in reference to consolidating school lands into contiguous holdings to specify all school land parcels *in the California desert*.

LEGISLATIVE HISTORY

AB 940—Krekorian (2008, held in Assembly Appropriations Committee) required the Office of Planning and Research (OPR), by July 1, 2008, to report recommendations for streamlining the siting of solar energy facilities and related transmission facilities.

Statutes of 1984, Chapter 879 (School Lands Bank Act of 1984) authorized the SLC to sell school lands and use the funds from the sales to purchase real property that will generate additional revenues to benefit the Teachers' Retirement Fund. Proceeds from

the sales were required to be held in trust by the SLC for the retired teachers and be deposited in the School Land Bank Fund (SLBF).

ANALYSIS:

Existing Law:

Current law grants administrative control of schools lands to the SLC. The SLC is authorized to take all action necessary to fully develop school lands, indemnity interests, and attendant mineral interests into a permanent and productive resource base. The SLC is required to plan and implement all transactions, including exchanges, sales, and acquisitions which would facilitate the management of school land interests for revenue generating purposes. The consolidation of school land parcels into contiguous holdings can be essential to sound and effective management and the power to acquire lands by exchange or purchase is elemental to the consolidation process. The Legislature finds that 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 determining if proposed uses or dispositions of land should be approved.

This bill:

AB 982 requires the SLC to enter into a memorandum of agreement (MOA) by April 1, 2012 with the United States Secretary of the Interior, contingent on the cooperation of the secretary, to facilitate land exchanges that consolidate school land parcels into contiguous holdings that are suitable for large-scale renewable energy-related projects. The MOA would be tailored, to the extent feasible, to prioritize land exchanges that are best suited for large-scale renewable energy project development, including for the purposes of mitigation of the impacts of that development. If a MOA is entered into, the SLC is required to:

- Make best efforts to consolidate all school land parcels in the California Desert Conservation Area (California desert) into contiguous holdings for large-scale renewable energy-related projects,
- Report to the Legislature by January 1 of each year on the status of the MOA and school land consolidation efforts in the California desert,
- Prepare and submit to the Secretary of the Interior, within 240 days of the execution of the MOA, a proposal for land exchanges that consolidate all school land parcels in the California desert into contiguous holdings that are suitable for large-scale renewable energy-related projects, based on an acre-for-acre exchange with the federal government.

In preparing the land exchange proposal, the SLC would consult with the Department of Fish and Game to identify areas in the California desert that would be compatible with the goals and provisions of the Desert Renewable Energy Conservation Plan, in addition to meeting specified environmental criteria.

The measure allows the SLC to withhold a school land parcel from an exchange proposal or request additional consideration from the Secretary of the Interior if the SLC reasonably believes, based on existing and reliable information that an acre-for-acre

exchange would not provide the state with compensation that is equal to or greater than the fair market value of the school land parcel. As part of this consideration, the SLC would be required to consider the potential renewable energy value of a parcel the SLC would receive in exchange.

Additionally, the SLC would be allowed to consider counter land exchange proposals from the Secretary of the Interior and make additional proposals to the extent that the additional proposals achieve the goals as set forth in the measure. Final approval of a land exchange proposed would be made by the SLC at a properly noticed commission meeting. The SLC's costs and expenses attributable to the land exchange process may be payable from the SLBF.

This measure would not directly affect CalSTRS. However, due to CalSTRS' position as beneficiary of revenue generated from the use of school lands, this measure could have a potentially positive impact to the cash flow to CalSTRS, if school lands are used for renewable energy projects that generate increased revenue. Currently, the trust generates approximately \$5 to \$6 million per year in net cash flow to CalSTRS.

CalSTRS has taken into consideration its current investment relationship with the bill's sponsor (BrightSource) in analyzing this measure and for any potential conflict of interest issues.

PROGRAM BACKGROUND

School Lands

In 1853 the Federal Government gifted 5.5 million acres to the State of California to be used for the support of public education. Between 1855 and 1984, nearly 90 percent of the "school lands" was sold, leaving behind mostly desert land, most of which falls within the boundaries of the lands protected by the California Desert Protection Act. Since 1984, the remaining lands have been under the trusteeship of the SLC, with the proceeds from land sales reinvested into the trust and only the lease income flows to the SBMA. The SLBF currently holds approximately 469,000 acres of land in fee ownership and approximately 790,000 acres of mineral rights where the surface rights have been previously sold.

Currently there are renewable energy developers that are interested in leasing desert school lands for projects. However school lands are generally scattered across the desert in smaller parcels than what is necessary to accommodate large-scale renewable energy projects. Several school land parcels are surrounded by federal lands managed by the Bureau of Land Management (BLM) that are not currently protected by the California Desert Protection Act. Land exchanges with the BLM could consolidate school land parcels into large contiguous holdings that could then be used for substantial renewable energy development.

CalSTRS is the beneficiary of the SLBF, and has no authority over the daily management of the school lands within the trust. CalSTRS staff maintains active dialogue with SLC staff regarding ongoing lease, acquisition, disposition and other significant transaction activity. CalSTRS staff provides an annual report to the Investment Committee on the activities and status of the SLBF.

FISCAL IMPACT

Benefit Program Cost – Potential increase in distributions from the SLBF into the SBMA. This would be partially offset by increases in administrative costs for the SLC.

Administrative Costs/Savings – None.

SUPPORT

BrightSource Energy (Sponsor)

OPPOSITION

None known.

ARGUMENTS

Pro:

- Promote alternative energy projects in the state,
- Generate additional funds for the SBMA if alternative energy projects are developed on state lands

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