

*Annual Staff Report  
on the  
Management of State School Lands  
Fiscal Year 2008-09*



*California State Lands Commission  
Mona Pasquil, Acting Lieutenant Governor  
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*Submitted to  
Honorable Arnold Schwarzenegger, Governor  
The California State Legislature  
and  
The State Teachers' Retirement System*

### *Note to the Reader*

**School Lands** were granted to the State of California by the federal government under the Act of March 3, 1853 (10 Stat. 244), and consisted of the 16<sup>th</sup> and 36<sup>th</sup> sections of land in each township (with the exceptions of lands reserved for public use, lands taken by private land claims, and lands known to be mineral in character). A supplementary act in 1927 extended to the State the grant of mineral lands. No federal patents to the State were required under this grant. Title to the lands vested in the State upon approval of the U.S. Township Survey Plats (subject to the exceptions described above).

**Indemnity School Lands (a.k.a. Lieu Lands)** - In cases of preemption due to the exceptions described above (i.e., in place of a Section 16 or a Section 36), the State was given the opportunity to select replacement lands from the United States. For each transaction, the process involved several steps. First, the State filed a list with the federal government describing the lands lost to the State due to the exceptions described above. These lands were known as base lands. Then, the State filed a list with the federal government describing other federal lands selected in place of these base lands. When the list of selected replacement lands was approved by United States, a Clear List was issued to the State. The State's rights to the base lands were relinquished back to the federal government, and title to the selected lands became vested in the State. The Clear List was the document of conveyance and there are no patents issued by the federal government.

For the purposes of this Annual Report, the term *School Lands* is used to describe both lands obtained under the Act of 1853 and Indemnity Lands (Lieu Lands).

**CALIFORNIA STATE LANDS COMMISSION**

**ANNUAL STAFF REPORT ON THE MANAGEMENT  
OF STATE SCHOOL LANDS**

**Fiscal Year 2008-09**

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## INTRODUCTION

The California State Lands Commission (CSLC), through its State School Lands Management Program (Program) manages approximately 468,600 acres of school lands held in fee ownership by the State, and the reserved mineral interests on approximately 790,000 acres of school lands where the surface estate has been sold. Management of the Program is split between two CSLC divisions, the Land Management Division (LMD) and the Mineral Resources Management Division (MRMD). The LMD is responsible for the Surface Management Program under which all surface resources on school lands, with the exception of mineral activities, are administered. The MRMD is responsible for the Geothermal, Solid Minerals, and Oil and Gas Programs, which involve the leasing of school lands for geothermal resources development, mining activities, and oil and gas development.

School lands were placed into a statutory trust in 1984 when the State Legislature approved the School Land Bank Act (Act), created the School Land Bank Fund (SLBF), and designated the CSLC as trustee of the SLBF. The Act added Sections 8700 through 8716 to the Public Resources Code (PRC), which set forth the management guidelines for the Program. The Act directs that school lands be proactively managed and enhanced to provide for an economic base in support of the public school system. PRC Section 8702 spells out specific findings and declarations made by the Legislature, emphasizing the development of school lands into a permanent and productive resource base and requiring that all transactions, including exchanges, sales, and acquisitions, be implemented for revenue generating purposes.

Pursuant to PRC Section 6217.7, all net revenues, monies, and remittances from the sale of school lands are deposited into the State Treasury to the credit of the SLBF. PRC Section 6217.5 directs all net revenues derived from the use of school lands (i.e., royalties, rents, and interest generated from promissory notes) be deposited into the State Treasury to the credit of the Teachers' Retirement Fund, which benefits the State Teachers' Retirement System (STRS).

The CSLC's emphasis in administering the Program has been: 1) the maximization of revenues from school lands assets, 2) protecting the corpus of the trust, and 3) the continued implementation of the California Desert Protection Act Exchange Program.

Net revenue transferred to STRS during Fiscal Year 2008-09 was \$5,191,261.18, which represents a decrease of 18.8% over the prior year net revenue. Management expenses for the Program in FY 2008-09 totaled \$1,133,836.85, which represents an 11.1% increase from FY 2007-08 expenses. Net revenue deposited to the SLBF was \$1,351,427.00, resulting in a fiscal year-end balance of \$60,978,066.28 (prior to adjustment for a \$59,000,000 loan to the General

Fund). For a summary, see the table entitled "Financial Summary: Fiscal Year 2008-09" (page 31).

The *Annual Staff Report on the Management of State School Lands* is prepared pursuant to PRC Section 6477. The major activities for each of the Program components for FY 2008-09 are described in the following pages.

## **SURFACE MANAGEMENT PROGRAM**

The LMD is responsible for the Surface Management Program, which oversees all surface activities on school lands with the exception of mineral activities. These activities include land exchanges and sale of school lands parcels to public and private entities, acquisitions of lands to enhance the resource base, and the issuance of leases for various purposes such as the production of alternative energy, agriculture, grazing, and rights of way for roads, oil and gas pipelines and electrical transmission lines. The objectives of the Surface Management Program are to manage surface uses to generate revenue, assure ongoing viability of the resource, protect the corpus of the trust, enhance local economies, and protect the environment. These goals are accomplished through management and development techniques that maximize the economic return to STRS and the SLBF. For a summary of the revenues generated to STRS and the SLBF through the Surface Management Program, see the table entitled "Summary of Revenue Generated From Surface Management Program - Fiscal Year 2008-09" (page 6).

## **FISCAL YEAR 2008-09 ACTIVITIES**

### ***STATE TEACHERS' RETIREMENT SYSTEM FUND REVENUES***

#### **Surface Rental Income and Revenues**

The majority of the 468,600± acres of school lands are isolated, landlocked parcels, with many being non-productive desert lands. However, close to a quarter of the total school land acreage is leased for revenue generating purposes. Revenues deposited into the STRS fund from approximately 105 revenue-generating surface leases in FY 2008-09 totaled \$182,358.21, which represented a decrease of 9% from FY 2007-08. This percentage decrease was primarily attributable to unusually high collections of past-due rent during FY 2007-08. General surface leasing involves ongoing activities, including processing new applications, re-issuing expired leases, processing lease assignments and amendments, conducting rent reviews, terminating old leases, and conducting other surface management activities.

### ***SCHOOL LAND BANK FUND - LOAN TO THE GENERAL FUND, REVENUES, AND EXPENSES***

#### **Loan to the General Fund**

In response to the State's severe budget crisis, the Legislature borrowed from numerous State funds during 2008-09, including \$59,000,000 from the SLBF. This loan to the General Fund was part of the Budget Act of 2008, as amended by Chapter 2, Statutes of 2009 Third Extended Session. The loan is scheduled to

be repaid no later than June 30, 2013. During the term of the loan, interest will accrue based on the rate utilized by the Pooled Investment Account. A total of \$1,351,427 in net revenue was generated to the SLBF during FY 2008-09. This includes principal revenue of \$640,000 from one land sale (described below), total accrued interest of \$1,066,162.99, and an accounting adjustment of \$1,075.07, less expenses of \$355,811.06.

### **The Nature Conservancy Land Sale (SA 5765)**

The Nature Conservancy purchased 640 acres of school lands in Inyo County, which it then donated to the Bureau of Land Management (BLM) for inclusion in an existing Area of Critical Environmental Concern. This sale resulted in a deposit of \$640,000 into the SLBF.

### **Accrued Interest on the School Land Bank Fund**

The total interest accrued on the SLBF during FY 2008-09 was \$1,066,162.99. Interest accruals decreased 57.9% from the previous year due to the lower interest rates that resulted from a general downturn in economic conditions, and because of a substantially lower fourth-quarter interest payment due to the \$59,000,000 loan to the General Fund.

### **Expenses Charged to the School Land Bank Fund**

Expenses charged to the SLBF during FY 2008-09 totaled \$355,811.06. One-third of these expenses were directly attributable to the abandoned mine closure program (see Abandoned Mine Lands, pages 23 and 29) and work performed to remediate unexploded ordnance on school lands in the southern California desert (see Potential Hazards on School Lands, page 9). Approximately 56% of the expenses resulted from pro rata charges paid to the Department of Finance for various functions performed pursuant to Government Code Section 11270-11277. These expenses are attributable to a one-time allocation for the abandoned mine closure program. There also was a \$42,000 expense for an appraisal report for the BLM/CDPA land exchange (see page 5). The remaining expenses (less than 1%) were charged to the 21<sup>st</sup> Century Project, a statewide effort approved by the Legislature to modernize California's Human Resources system (for more information, see <http://www.21stcentury.ca.gov/index.shtml>).

### **UPDATE: CALIFORNIA DESERT PROTECTION ACT OF 1994**

On October 31, 1994, the California Desert Protection Act (CDPA) was signed into law by the President of the United States (Public Law 103-433). The CDPA designated 3.6 million acres in southern California as wilderness to be administered primarily by the BLM, and designated an additional four million acres in southern California to be included in the national park system. The purpose of the CDPA is to preserve areas in the California desert to protect its natural, cultural, scenic, and historical values and to provide for public enjoyment.

Four hundred forty-two parcels (approximately 251,000 acres) of fee-owned school lands and over 100 parcels encumbered by the State's reservation of mineral interests were initially identified to be within the boundaries of the CDPA.

Section 707 of the CDPA provides for the exchange of the school lands located within these designated areas for other federal lands located outside of these areas. The CSLC receives compensation for the exchange of its fee and mineral interests on a value-for-value basis as determined by fair market appraisals. Compensation for the State's assets may be made in various forms including cash or exchange for other lands. To date, there have been five CDPA land exchange transactions completed with the BLM. These five exchanges have resulted in the transfer of over 66,000 acres of school lands to the BLM and deposits totaling over \$14.7 million into the SLBF.

During FY 2008-09, work continued on a sixth CDPA land exchange. After finding that an appraisal of 107 parcels of school lands prepared by an independent appraiser for the Department of the Interior's Appraisal Services Directorate (ASD) was inadequate and unacceptable, staff entered into negotiations with the ASD in an attempt to reach an acceptable estimate of market value for the subject properties. These negotiations resulted in the conclusion that a second appraisal would be necessary and that staff of the CSLC would contract for its own appraisal of the subject properties. This appraisal was completed, and staff currently is involved with further negotiations with the BLM to resolve the differences in the valuation conclusions. The sixth CDPA land exchange is now expected to be completed in FY 2010-11.

At the close of FY 2008-09, there were 326 parcels of school lands containing a total of approximately 185,400 acres within the designated national parks, monuments, preserves, and wilderness areas available for exchange with the BLM.

**SUMMARY OF REVENUE GENERATED FROM SURFACE  
MANAGEMENT PROGRAM - FISCAL YEAR 2008-09**

**STRS FUND**

Surface Rentals:

Surface Rentals:	\$ 182,358.21
<b>TOTAL GROSS REVENUE GENERATED TO STRS FUND:</b>	<b>\$ 182,358.21</b>

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**SCHOOL LAND BANK FUND**

<b>GROSS REVENUE GENERATED TO SCHOOL LAND BANK FUND:</b>	<b>\$ 1,707,238.06</b>
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**EXPENSES**

<b>Program 10 – Abandoned Mine Closure Program:</b>	<b>\$ 115,538.52</b>
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<b>Program 20 – Unexploded Ordnance:</b>	<b>\$ 563.72</b>
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<b>Claims – Pro Rata:</b>	<b>\$ 197,500.00</b>
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<b>Claims – Other (CDPA appraisal):</b>	<b>\$ 42,000.00</b>
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<b>21<sup>st</sup> Century Project:</b>	<b><u>\$ 208.82</u></b>
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<b>TOTAL EXPENSES CHARGED TO SCHOOL LAND BANK FUND:</b>	<b>\$ 355,811.06</b>
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<b>NET REVENUE GENERATED TO SCHOOL LAND BANK FUND:</b>	<b>\$ 1,351,427.00</b>
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## **FISCAL YEAR 2009-10 PLANNED ACTIVITIES**

### ***POTENTIAL STATE TEACHERS' RETIREMENT SYSTEM FUND REVENUES***

#### **Surface Rentals Income**

Staff estimates that surface rentals will from existing and new surface use leases on school lands parcels during FY 2009-10 will remain relatively unchanged from FY 2008-09.

#### **Timber Harvests**

There is potential for income from timber salvage and sanitation operations in FY 2009-10. These operations are conducted periodically due to losses from natural causes such as fire, high winds, insect infestation and diseases. Because of the irregular nature of these operations, the amount of additional income from these sources is difficult to predict.

#### **Alternative Energy Projects**

With the passage of AB 32, the increase in public awareness about climate change and the rise in energy prices, staff expects more interest in the long-term leasing of school lands for alternative energy projects. Some such projects will involve utilization of wind as an energy source. These projects require the installation and operation of wind turbines that, if installed, would generate electricity that would be placed into the State's electrical grid. Other alternative energy projects will utilize solar technology such as photovoltaic cells and solar-concentrating systems (troughs, towers, or dishes).

Staff plans to continue processing an application for a wind energy lease received in 2007. This proposed project, which involves 640 acres of school land located in San Diego County, currently is in the planning stage and must undergo a review pursuant to provisions of the California Environmental Quality Act (CEQA). If the project is successfully completed and the lease is issued, staff anticipates significant revenue from this lease beginning in FY 2010-11.

Staff will continue processing two applications for solar energy leases in San Bernardino County and Kern County that together would cover over 5,050 acres. The two proposed projects will be subject to environmental reviews under the CEQA. If these projects are successfully completed and the leases are issued, staff anticipates significant revenue from these leases beginning in FY 2010-11.

## **POTENTIAL SCHOOL LAND BANK FUND REVENUES AND ACTIVITIES**

Applications for the following projects are currently under consideration and will be actively processed in FY 2009-10. Staff also anticipates that new requests for land exchanges and land sales will be received throughout the year.

### **CDPA/BLM Land Exchange (W 24480/AD 407)**

Prior CDPA land exchanges between the CSLC and the BLM have resulted in an unequal balance between the values of the lands previously exchanged. Currently, the CSLC owes the BLM lands worth \$2,154,675. The BLM has available, through the General Services Administration, approximately \$7,800,000 from surplus federal land sales that is designated for CDPA land purchases from the CSLC. Staff has been working with the BLM on a new proposed "Ledger Balancing Land Exchange", whereby the CSLC will transfer school lands of approximately \$10,000,000 in value to the federal government in order to eliminate the outstanding balance and facilitate the completion of the terms of the original CDPA legislation. When completed as proposed, staff anticipates that approximately \$7,800,000 will be deposited into the SLBF from this exchange.

### **State Parks Land Sale (SA 5763)**

The California Department of Parks and Recreation (State Parks) submitted an application in FY 2005-06 to purchase 5,758 acres of school lands for a State Vehicle Recreation Area (SVRA). The land consists of nine full sections located in Imperial County west of the Salton Sea. State Parks recently completed an acquisition involving 4,000 acres of privately-owned land for the project, and the nine sections of school lands are arranged in a checkerboard pattern amid this previously acquired property. The proposed sale is currently on hold as State Parks contracts for environmental and cultural resource surveys for a new General Plan that will be prepared as part of State Parks' project. It is now contemplated that significant portions of the proposed acquisition will be set aside for protection of environmental and cultural resources.

### **LeBaron Land Sale (SA 5766)**

During FY 2008-09, staff received an application from Terri R. LeBaron to purchase approximately 2,116 square feet of Indemnity School Lands located within the city of Yreka. The property abuts an improved residential parcel that is already owned by Ms. LeBaron. The purpose of the transaction is to rectify a minor surveying error that occurred during the 1950s. Upon completion of this transaction, \$9,522 will be deposited into the SLBF.

## **New Investments – Agricultural Land and Ground Leases**

Staff will continue to research potential new investments for SLBF monies in FY 2009-10, concentrating on agricultural lands and ground leases that maximize potential revenues while minimizing management expenses. Staff also will work with the STRS real estate staff to explore methods for utilizing the expertise and resources of a larger investment fund with mutual investment goals. However, the reduction of available funds due to the loan to the General Fund (see Page 3) significantly reduces the flexibility of potential investments.

## **Potential Hazards on School Lands**

Some school land parcels located in remote desert locations in Southern California were used by the United States military for training purposes during World War II. The military activities used live ammunition and included artillery practice, bomber training, tank warfare, and ground combat training. With the increasing use of desert lands by the public for off-road vehicle activities and other recreational purposes, concerns have been raised about the potential liability to the State and the SLBF posed by possible unexploded ordnance that might remain from these activities. Staff has been working and will continue to work with the U.S. Army Corps of Engineers to pursue the remediation of potential hazards on these lands.

## **GEOTHERMAL, SOLID MINERALS, AND OIL & GAS PROGRAMS**

The MRMD is responsible for the Geothermal, Solid Minerals, and Oil & Gas Programs, which involve leasing and managing school lands for the development of geothermal energy, mining activities, and oil and gas operations. These programs strive to maximize royalty revenue while protecting the environment and assuring public safety. For a summary of the revenues generated to STRS through these programs, see the table entitled "Summary of Revenue Generated from Geothermal, Solid Minerals, and Oil & Gas Programs – Fiscal Year 2008-09 (page 26).

### **FISCAL YEAR 2008-09 ACTIVITIES**

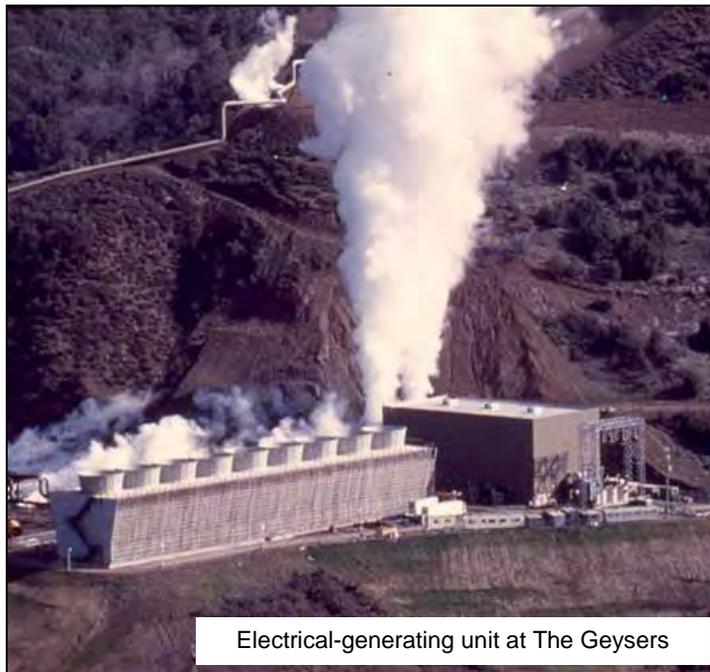
#### ***GEOTHERMAL PROGRAM***

Revenue from the geothermal program totaled \$5,432,283.64 for FY 2008-09, a 13% decrease from the prior year. All of the revenue is from royalties paid on the production of geothermal steam from State leases located at The Geysers geothermal field in Sonoma and Lake counties.

#### **Geothermal Leases at The Geysers**

The Geysers remains the world's largest geothermal energy project. The field was first developed in 1960 and reached peak production in 1987. Production declined rapidly during the subsequent decade until field operations were consolidated and injection of reclaimed water from Lake County and Santa Rosa was implemented in the late 1990s. Production has been relatively stable since then. The Geysers currently generates 800 megawatts of electricity, enough to supply one million households.

The State owns a 100% mineral interest in 6,845 acres currently under lease, plus a 1/16<sup>th</sup> interest in another 361 acres. The State-owned mineral interest lands supply more than 32 million pounds of steam per year, or 25% of the total steam produced in the field.



The remaining 75% of the total steam comes from federal or privately-owned lands.

The following statistics are for active and previously productive State leases and 1/16<sup>th</sup> interest parcels at The Geysers, cumulative through June 2009:

PRC	Status	Acres	Leased	Rate	Cum. Steam, lbs	Cum. Royalty
4596	Producing	2,543	1971	10.0%	955.1 billion	\$102,902,282
4596 "A"	Producing	158	2008	10.0%	56.5 million	\$6,099
4597	Producing	1,445	1971	10.0%	471.3 billion	\$51,717,025
5206	Producing	130	1976	12.5%	24.1 billion	\$14,199,639
6422	Producing	248	1974	12.5%	8.0 billion	\$1,056,242
7179	Producing	361	na	6.25%	8.7 billion	\$309,459
7845	Producing	440	1995	12.5%	7.3 billion	\$1,070,223
8556	Drilling	1,881	2004	10.0%	-0-	\$0
5217	Quitclaimed	434	1977	10.0%	17.8 billion	\$3,125,430
7177-78	Quitclaimed	534	na	6.25%	21.9 billion	\$2,234,790
7751	Quitclaimed	775	1994	10.0%	491.5 million	\$57,016
6423	Quitclaimed	172	1974	12.5%	2.3 billion	\$229,101
<b>TOTALS</b>			<b>1972-2009</b>		<b>1.5 trillion</b>	<b>\$176,907,308</b>

Geysers Power Company LLC (Geysers Power), a subsidiary of Calpine Corporation, owns and operates 17 of the 22 active electrical-generating units at The Geysers, and is the lessee of all six of the State's active geothermal leases.

Steam production from the State leases held by Geysers Power decreased by 4% from the prior year. The monetary value of that production decreased by 11% due to lower prices for the electricity generated from the steam. Many of the power purchase contracts in effect at The Geysers are tied to an index that reflects changes in natural gas prices, which declined sharply over the past year.

In May 2009, Geysers Power successfully drilled and completed a well on the 158-acre Parcel A portion of lease PRC 4596. The 158 acres had been part of an older federal geothermal lease that the State acquired in 1983, but there had been no production since 1994. In the prior fiscal year, Geysers Power, at staff's recommendation, surrendered the



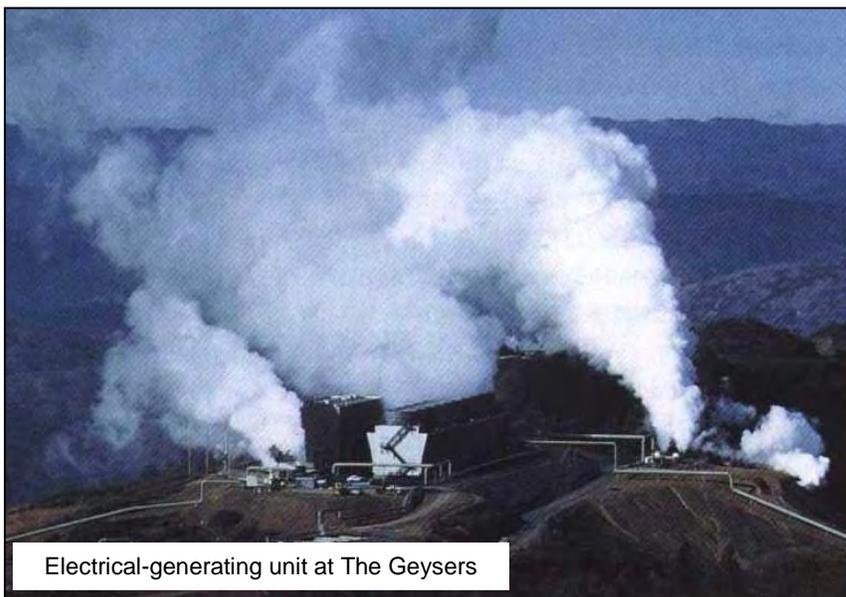
Drill rig on new State well at The Geysers

lease and add the 158 acres to lease PRC 4596. The terms of the amendment to PRC 4596 required Geysers Power to re-establish production on the added lands or pay a significantly higher rent. The successful well marked the first new production of geothermal resources on any State lease since 1996.

During FY 2008-09, staff continued negotiations with Geysers Power for a new, 400-acre lease in the northwest part of the field. In July 2008, Geysers Power submitted a new plan of development covering approximately 4,130 acres in the area. The plan will involve an additional 400 acres of State land, 1,735 acres of State land already under lease in PRC 8556 and PRC 6422, 320 acres of federal land, and 1,675 acres of private land. The plan was also submitted to Sonoma County, which is the lead agency under CEQA. When the County completes its CEQA review it will issue one or more conditional use permits to Geysers Power. The proposed 400-acre lease will then be presented to the CSLC for approval. In May 2009, staff sent a draft lease to Geysers Power. Staff also advised Geysers Power that a separate application will be required to amend existing lease PRC 8556 to incorporate it into the proposed development plan.

In June 2009, Geysers Power began drilling a well to be completed on lease PRC 8556. The lease was issued in September 2004 and requires drilling a producing well by September 2009. Geysers Power completed an injection well in 2007, so the well now being drilled will be the first producer. The lease is divided into four parcels and Geysers Power must ultimately establish production on each of the four parcels by September 2011 or risk losing the non-productive parcels through automatic expiration.

Also in June 2009, BLM announced its intention to offer 3,720 acres of federal lands in the southern portion of The Geysers for lease at a July 2009 auction. The lands had previously been leased by competitive public bid in the early 1980s. Although never fully explored, evidence suggested the lands were



Electrical-generating unit at The Geysers

beyond the productive limits of The Geysers reservoir and not commercially viable. The BLM is re-offering the lands because there is renewed interest on the part of industry, and because new technologies may make the lands commercially viable today. The proposed sale is

of interest to staff because there are several isolated parcels of unleased school lands in the vicinity. The State parcels total approximately 300 acres, about one-tenth of the federal acreage. The State lands have always been considered too small to be of interest to industry without additional acreage, but might now become suitable for leasing if the outcome of the BLM lease sale is successful.

### **Geothermal Prospecting Permit (PRC 8673)**

Deep Rose Geothermal 16 LLC (Deep Rose) holds a permit to prospect for geothermal resources on a 640-acre parcel of school lands in Inyo County near the Coso geothermal field. The permit will expire at the end of April 2010 unless an exploratory well confirms the presence of geothermal resources in commercial quantities. If such a discovery is made, Deep Rose has a preferential right to a lease, subject to terms negotiated with staff and approved by the CSLC.

Permit No. PRC 8673 was originally issued by the CSLC in 2006 to Deep Rose LLC for a term of two years. In 2008, the CSLC approved an assignment to Deep Rose, a partnership of Deep Rose and Raser Technologies, and the permit was extended for two years. In October 2008, Deep Rose advised staff that Raser Technologies had backed out of the partnership, and that it was attempting to secure additional financial backing directly or through a new partner. If Deep Rose is successful, it will need to locate a construction contractor to build an access road, and a drilling contractor to commence the exploratory drilling. Because the Public Resources Code (or Permit?) does not provide for a further extension, Deep Rose would have to apply for a new permit. Staff would likely consider other applicants or leasing by competitive bid.

### **Geothermal Prospecting Permit Applications**

In 2007, U.S. Renewables Group (USRG), via three wholly-owned subsidiaries, submitted applications for permits to prospect for geothermal resources on 4,485 acres of school lands north of the developed portion of The Geysers. In August 2008, staff advised USRG that its three applications were complete. This action followed a determination by staff that USRG's prospecting program and timeline were reasonable and that the environmental impacts of that program would be examined in accordance with CEQA. The California Division of Oil, Gas, and Geothermal Resources (CDOGGR) is the lead agency under CEQA, and the CSLC and the county of Lake are responsible agencies. In March 2009, USRG secured a contractor to begin the Initial Study process. The CEQA analysis must be complete before staff can present the prospecting permits to the CSLC for approval.

Two other applications for geothermal prospecting permits, submitted in 2001 by Mack Energy Co. and Layman Energy Associates, remain incomplete. The applications cover 3,034 acres of school lands west of the Salton Sea in Imperial County in an area known as Truckhaven. Staff intends to seek CSLC approval to

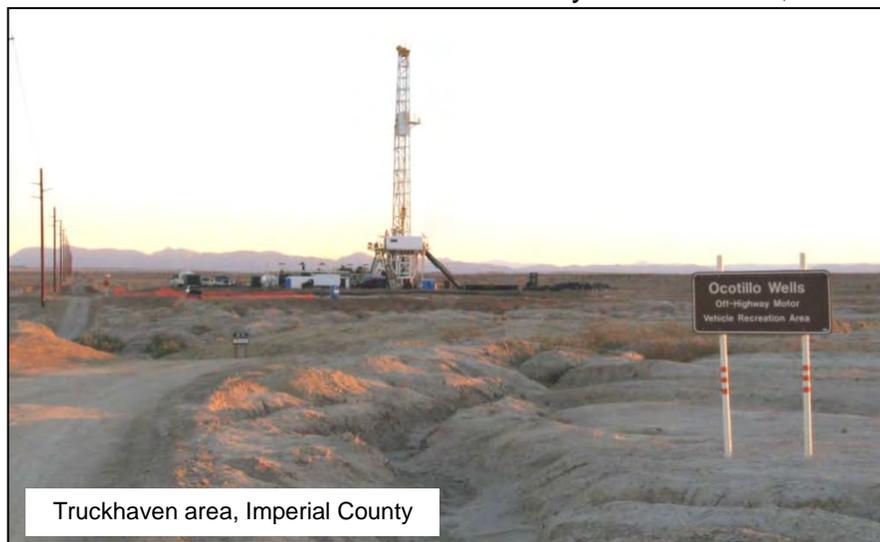
terminate the applications and instead offer the lands for lease by competitive public bid as discussed in the next section.

### **Nomination for Leasing by Competitive Public Bid**

In 2007, Ormat Nevada, Inc., nominated certain school lands in the Truckhaven area of Imperial County for leasing by competitive public bid. The nomination covered most lands within the two applications discussed above. Staff decided to include additional school lands so that a total of 4,817 acres are now proposed to be offered for lease.

In 2008, the BLM certified an Environmental Impact Statement (EIS) for leasing 14,731 acres of federal lands in the area. The EIS actually covered a 40,320-

acre region that included a patchwork distribution of federal, State, and private parcels. The BLM intends to issue non-competitive leases on approximately 7,052 acres and hold a competitive bid



lease sale in July 2009 for the remaining 7,679 acres.

The CSLC will not be ready to conduct a lease sale for its 4,817 acres of school lands in 2009 because a supplemental analysis of the environmental impacts must be completed to satisfy the requirements of the CEQA. Ormat has agreed to provide funding to cover the staff costs to determine the extent and cost of that supplemental analysis. But Ormat has not yet agreed to provide any further funding for the actual analysis or the staff costs to conduct the lease sale. Staff scheduled a public meeting for July 2009 to help define the scope of the analysis.

Much of the Truckhaven geothermal area is within the boundaries of State Parks' Ocotillo Wells SVRA. PRC Section 6924 requires that the CSLC coordinate its leasing efforts with State Parks so that geothermal exploration and development does not unreasonably interfere with use of the lands for recreation.

## **SOLID MINERALS PROGRAM**

Revenue from the solid minerals program totaled \$261,969.99 for FY 2008-09, a 34% decrease from the prior year. The decrease is primarily due to reduced mining of aggregate, which is a reflection of the overall downturn in the State's economy.

In June 2009, the CSLC approved issuance of a new aggregate lease that was negotiated by staff. The solid minerals program now manages six mineral leases totaling 1,144 acres, one active 1/16th reserved mineral interest parcel totaling 560 acres, and two mineral prospecting permits totaling 1,317 acres. There are also two quitclaimed leases totaling 465 acres that have yet to be formally accepted by the CSLC. In addition to managing these mineral properties, staff continued processing applications for new leases and permits, responding to mineral inquiries, and addressing abandoned mine hazards.

### **Mineral Lease Management**

#### **U.S. Borax (PRC 736)**

In 2007, U.S. Borax, Inc. (USB) surrendered its 160-acre lease at the Gerstley Mine, southeast of Death Valley in Inyo County. The lease was one of the first issued by the State, dating back to the 1920s.

Operations were terminated in 1999 because the mine no longer met safety standards established by the Department of Labor, Mine Safety and Health Administration. All mine openings were sealed for public safety in 2005. Bat-compatible gates were



Safety grating at air shaft, Gerstley Mine, Inyo Co.

installed at two mine portals, and grates were anchored at two air shafts. In 2007, an inspection of the underground workings was conducted, and several containers of hazardous liquids were removed.

In 2008, staff met with USB, members of Inyo County Planning Department, and the Department of Conservation's Office of Mine Reclamation (OMR) to ensure all environmental and reclamation requirements had been met prior to CSLC consideration of the quitclaim. OMR indicated that additional earthwork and re-

vegetation was required. Later in 2008, USB advised staff that the earthwork had been completed.

### **Hanson Aggregates (PRC 7301)**

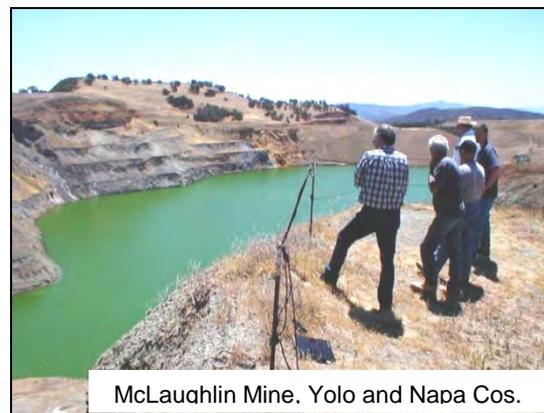
Hanson Aggregates (Hanson) holds a 120-acre lease near Lakeside in northern San Diego County for the Vigilante Aggregate Mine. Revenue from the lease totaled \$133,948.89, about half of the prior year total due to less demand from the building industry. The lease technically expired in June 1999, but it continues in “holdover status”, with Hanson paying rent and royalties until staff and Hanson resolve outstanding issues.



Staff inspected the lease area in January 2009 and discussed with Hanson its future plans. At a follow-up meeting in May 2009 Hanson revealed it had ceased operating the mine due to depressed sales. Excessive fines and low sales have led Hanson to contemplate surrendering the lease. In June 2009, Hanson advised that production and payments would cease. Staff responded that Hanson will either need to submit a quitclaim deed or pay the \$7,500 minimum annual royalty by July 25, 2009 for the 2009-10 lease year. At the end of the fiscal year staff was awaiting Hanson’s response.

### **Homestake Mining Company (PRC 7808)**

Homestake Mining Company (Homestake) surrendered this 305-acre lease in 2002, but formal acceptance by the CSLC must await completion of reclamation work. The lease is located on Homestake’s McLaughlin Gold Mine complex that covers approximately 10,000 acres in Yolo and Napa Counties. Homestake drilled test holes on the lease, but failed to discover commercial ore. The lease area was then used to stockpile low grade ore that was later removed and processed when Homestake ceased production operations at the mine.



In 2003, Homestake entered into a Memorandum of Agreement with the University of California Regents to allow for the use of the reclaimed property as a field research station, with an option for future acquisition. A meeting is needed to discuss continued use of the surface following acceptance of the quitclaim. In 2007, staff inspected the site to evaluate reclamation work in advance of accepting the quitclaim. Staff also requested compliance letters from Yolo and Napa counties, lead agencies under the Surface Mining and Reclamation Act, as well as from the Regional Water Quality Control Board, that reclamation is complete. These letters are necessary prior to consideration of acceptance of the quitclaim.

In early 2009, Homestake advised it was awaiting approval from the Central Valley Regional Water Quality Control Board of a revised mine closure plan. Upon approval, Homestake will submit the plan for consideration by Lake County, which is taking the lead role for Lake, Yolo, and Napa counties.

### **Western Mesquite Mines (PRC 8039)**

Western Mesquite Mines, Inc. (Western Mesquite), holds a 658-acre lease in the Mesquite Mine Complex, a gold mining operation in Imperial County. The mine had been idle from 2001 to 2007 due to low prices and the depletion of permitted reserves. When gold prices approached \$900 per ounce in 2007, Western Mesquite resumed mining, but not on the State lease.



Under its latest plan, Western Mesquite will not develop the State lease until 2017 through 2020, during the final years of the mine's life, because of the lease's 6% royalty rate, the highest among its properties. Staff believes the lease should be developed sooner and plans to meet with Western Mesquite to discuss its plan. The lease will be up for renewal in 2012. In May 2009, staff began coordinating with Western Mesquite in order to comply with a request from the California Department of Fish and Game to install a "wildlife guzzler" (a water holding pit) on a remote portion of the lease to avoid wildlife mortality in the mine pit.

### **Vulcan Lands, Inc. (PRC 8253)**

Vulcan Lands, Inc. (Vulcan), the largest aggregate producer in the U.S., holds a 160-acre lease at its Black Angel Quarry southwest of Barstow in San Bernardino County. Vulcan acquired the lease by assignment from Sigma Stone Co. in 2008. Production from the lease decreased from the prior year, but the State



Black Angel Quarry, San Bernardino Co.

received 28% more revenue due to an overpayment made by Vulcan. A total of \$85,320.26 was received, but nearly half of that was overpayment. The difference will offset royalties due during FY 2009-10. Staff has requested a meeting with Vulcan to discuss royalty, current mining operations, and its future plans for the mine.

Vulcan, like the State's other aggregate producers, has cut production significantly due to decreased demand as a result of the recession.

### **Granite Construction, Ludlow Pit (PRC 8272)**

Granite Construction Co. (Granite) holds an 80-acre lease near the community of Ludlow in the Mojave Desert of San Bernardino County. Granite's sand and gravel mine remained idle during the year. However, its location near Interstate 40 makes it an ideal source for raw material for highway construction, and Granite hopes to be the successful bidder on future road construction contracts. A minimum royalty of \$17,700 was received for the year.



Ludlow Pit, San Bernardino Co.

### **Protech Minerals (PRC 8322)**

Protech Minerals, Inc. (Protech) holds a ten-acre lease at the Pioneer Talc Mine in the Kingston Range in north-eastern San Bernardino County. There was no significant activity on the lease during the year. In fact, there has been no commercial production at the mine since the lease was issued in 2001. Protech hopes to open the mine when the domestic market for talc improves. The lease will be up for renewal in 2011. A minimum royalty of \$3,300 was received for the year.



Pioneer Talc Mine, San Bernardino Co.

### **Hi-Grade Materials (PRC 8831)**

Hi-Grade Materials Company (Hi-Grade) applied for a negotiated lease in 2001 on a 116-acre parcel to expand sand and gravel production at its Hesperia Quarry in Lucerne Valley, a remote area of the Mojave Desert in San Bernardino County.

An environmental document for the expansion project was certified by the County during FY 2008-09, allowing staff to complete negotiations with Hi-Grade for the new lease. In February 2009, staff inspected the State parcel, the existing gravel pit, and Hi-Grade's processing plant.



Hesperia Quarry, San Bernardino Co.

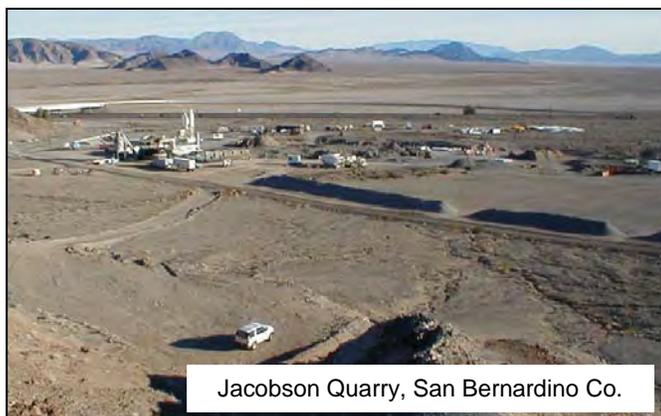
In June 2009, the CSLC approved the negotiated mineral extraction lease. Staff expects Hi-Grade to begin mining operations immediately. Hi-Grade plans to extract aggregate resources and alleviate an excessively steep slope that currently exists on the south wall of the pit which does not meet County requirements.

### **Granite Construction, Palm Desert Pit (PRC 7945)**

Granite extracts sand and gravel from a large open pit mine near Palm Desert in Riverside County. Included within the pit is a 560-acre parcel in which the State owns a 1/16<sup>th</sup> reserved mineral interest. The State's royalty is fixed at \$0.04 per ton of material mined. Revenue from the parcel totaled \$21,700.84 for the year, a 44% reduction from the prior year. This production decrease is attributable to a downturn in construction in the Coachella Valley, primarily the region around Palm Springs.

### **Jacobson Construction (W 40783)**

Jacobson Construction (Jacobson) mines sand and gravel in an area west of Baker in San Bernardino County. The operations once included lands in which the State owns a 1/16<sup>th</sup> reserved mineral interest. Near the end of FY 2008-09, staff resolved issues concerning payment of royalties owed by the private mineral owner and Granite



Jacobson Quarry, San Bernardino Co.

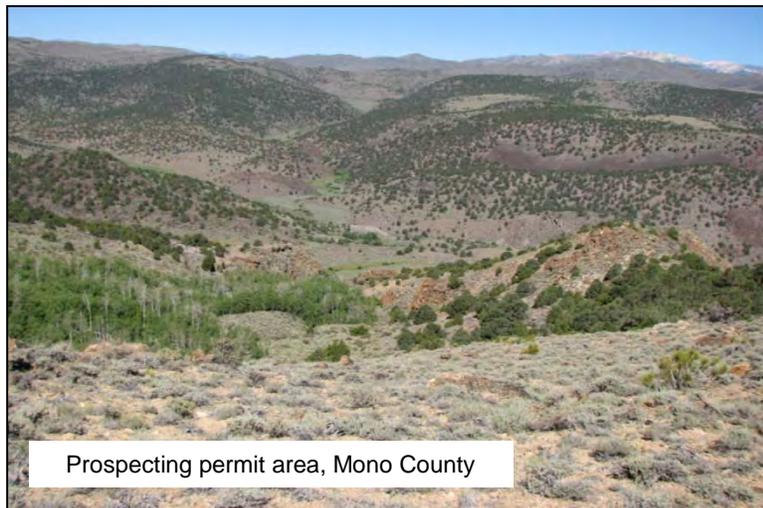
Construction, which had previously mined the property. The surface of the 1/16<sup>th</sup> interest parcel is now being reclaimed and is no longer actively mined. The settlement agreement will be considered by the CSLC in FY 2009-10.

## **Mineral Prospecting Permits**

### **Cougar Gold LLC (PRC 8742)**

Cougar Gold LLC (Cougar) holds a prospecting permit on a 480-acre parcel northeast of Bridgeport in Mono County that may be rich in precious metals. The one-year permit, issued in 2007, authorized Cougar to explore for minerals by mapping geologic features and obtaining rock samples.

In April 2009, the CSLC approved a second and final one-year extension of the permit. Staff has planned an inspection of the permitted lands during July 2009, while Cougar is conducting field work to verify and delineate the mineralization. The results of that work will determine if drilling is warranted. Any proposed drilling would require further authorization from the CSLC and from Mono County.



### **CPX Uranium, Inc. (PRC 8805)**

CPX Uranium, Inc. (CPX) submitted an application in April 2008 for a prospecting permit on two adjoining State parcels totaling 837 acres in a remote desert area in the Coso Range of Inyo County. In August 2008, the CSLC approved that permit for a two-year term. Exploration of these State parcels and surrounding lands by the federal government in the 1960s revealed the presence of uranium deposits. CPX plans to conduct geologic mapping, rock chip sampling, bulk sampling, and a scintillometer survey of existing drillholes to delineate the extent of the uranium mineralization and determine if additional work is warranted.

## Mineral Lease Applications

### Granite Construction, Liberty Quarry Project (W 40904)

Granite submitted an application nearly five years ago for a negotiated lease on a 160-acre parcel south of Temecula in Riverside County. Granite plans to create a new mine, designated the Liberty Quarry, to extract granitic rock for aggregate. The proposed lease and an adjacent 151-acre parcel where the State owns a 1/16<sup>th</sup> mineral interest will be included in the project.



Staff efforts to negotiate lease terms have been delayed by the preparation of the required environmental analyses, and an unsuccessful attempt to annex the project site by the City of Temecula.

At the end of FY 2008-09, staff had begun reviewing the final environmental document and preparing for negotiations with Granite who believes its Liberty Quarry project will have a lifespan, including reclamation, of 80 years.

### Bureau of Reclamation (PRC 6735)

The U.S. Department of Interior, Bureau of Reclamation (BOR) filed applications in 2000 with the CSLC and San Bernardino County to reactivate its Manchester



Quarry on a State parcel that had been under lease until it expired in 1994. The parcel is a remote area of the Mojave Desert near the California-Nevada border. The BOR plans to extract 2.8 million tons of rock over a 25-year period to armor levees along the Colorado River.

Staff met with the BOR, San Bernardino County, and OMR in 2007 to discuss the project. In January 2008, staff provided additional information to the County. According to the OMR, biologic studies and a Mining and Reclamation Plan have been completed for the proposed project, and San Bernardino County is awaiting the completion of a slope stability study from the OMR.

## **Mineral Exchange Application**

### **Kaiser Resources (W 40871)**

Kaiser's application to exchange the State's reserved mineral interest on a 467-acre parcel of school lands for a partial interest in a nearby mineral estate remained in abeyance again this year. Work on the proposed mineral exchange has been suspended pending a ruling by a Federal District Court on a land exchange between Kaiser and BLM. The parcel is in the Eagle Mountain Mine Complex, a large area with several open pit iron mines in Riverside County. The mines have been idle since 1982.

Kaiser held a 145-acre lease within the parcel between 1978 and 2002, and had acquired a permit from Riverside County for a landfill at the site. The permit was later sold to the Los Angeles County Sanitation District, but the landfill project has been embroiled in litigation.



In April 2008, staff testified on impacts to the State's mineral resources from a proposed "Eagle Mountain Pumped Storage Project". This project would involve the pumping and storage of water from the Metropolitan Water District's Colorado River Aqueduct to a series of mineral-depleted open pits located at the mine complex. Water from the

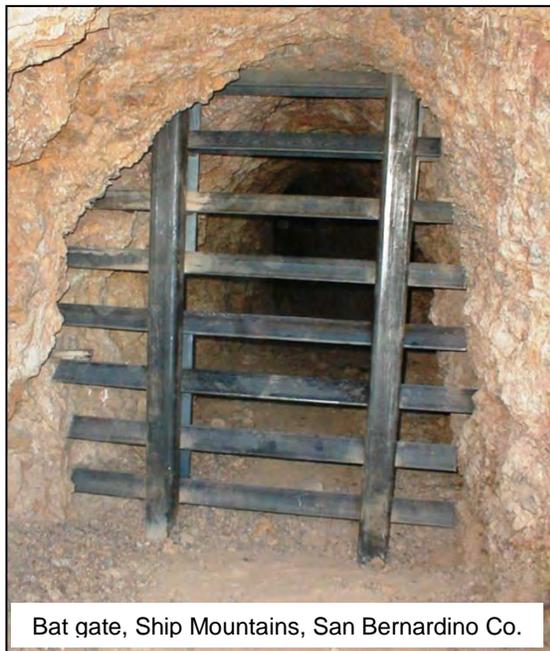
aqueduct would be pumped during evening hours to reservoirs located at relatively high elevations. This project would utilize the existing storage capacity of the open pits, allowing water to flow through turbines to a lower reservoir during the day when electrical demand is higher. This proposed system could generate up to 1,300 megawatts of electricity. In June 2008, written comments

were provided by CSLC staff to GEI Consultants, Inc., the company facilitating the project. In June 2009, Eagle Crest Energy Company filed with the Federal Energy Regulatory Commission a final license application for the Eagle Mountain Pumped Storage Project. Kaiser is still awaiting a decision on the litigation, now pending for 18 months, from the Ninth Circuit Court of Appeals. The mineral exchange cannot proceed until the litigation is resolved.

### Abandoned Mine Lands

The CSLC began a cooperative effort with the OMR in 2002 through a Memorandum of Agreement (MOU) to inventory and remediate abandoned mine features located on school lands. This MOU was renewed in January 2009 for an additional seven years. Of the CSLC's 1,200 fee-owned school lands parcels, there are about 141 parcels containing nearly 750 individual mine features. Staff continues to participate in quarterly meetings conducted by OMR in Sacramento with other local, county, State and federal agencies as well as contractors, environmental groups and the public.

In October 2008, cooperative efforts continued with the installation of a bat gate on a 600-foot long mine located in the Ship Mountains of San Bernardino County that has been known to provide habitat for a colony of bats for at least several decades. A rubber-tired front-end loader was used to backfill an adjacent 60-foot deep shaft that posed a threat to the public and wildlife. A second bat gate was installed on a deep adit near Mohawk Hill in the southern Clark Mountains that has both bat and tortoise habitat.



Bat gate, Ship Mountains, San Bernardino Co.

In April 2009, staff worked with the National Park Service and OMR to install two bat gates and perform other work to safeguard the public on a school lands parcel adjacent to the Golden Bee Mine in Joshua Tree National Park. The site is a popular day hike destination. Due to the remoteness of the site and lack of access, a helicopter had to be used to transport the steel and equipment necessary for the work.



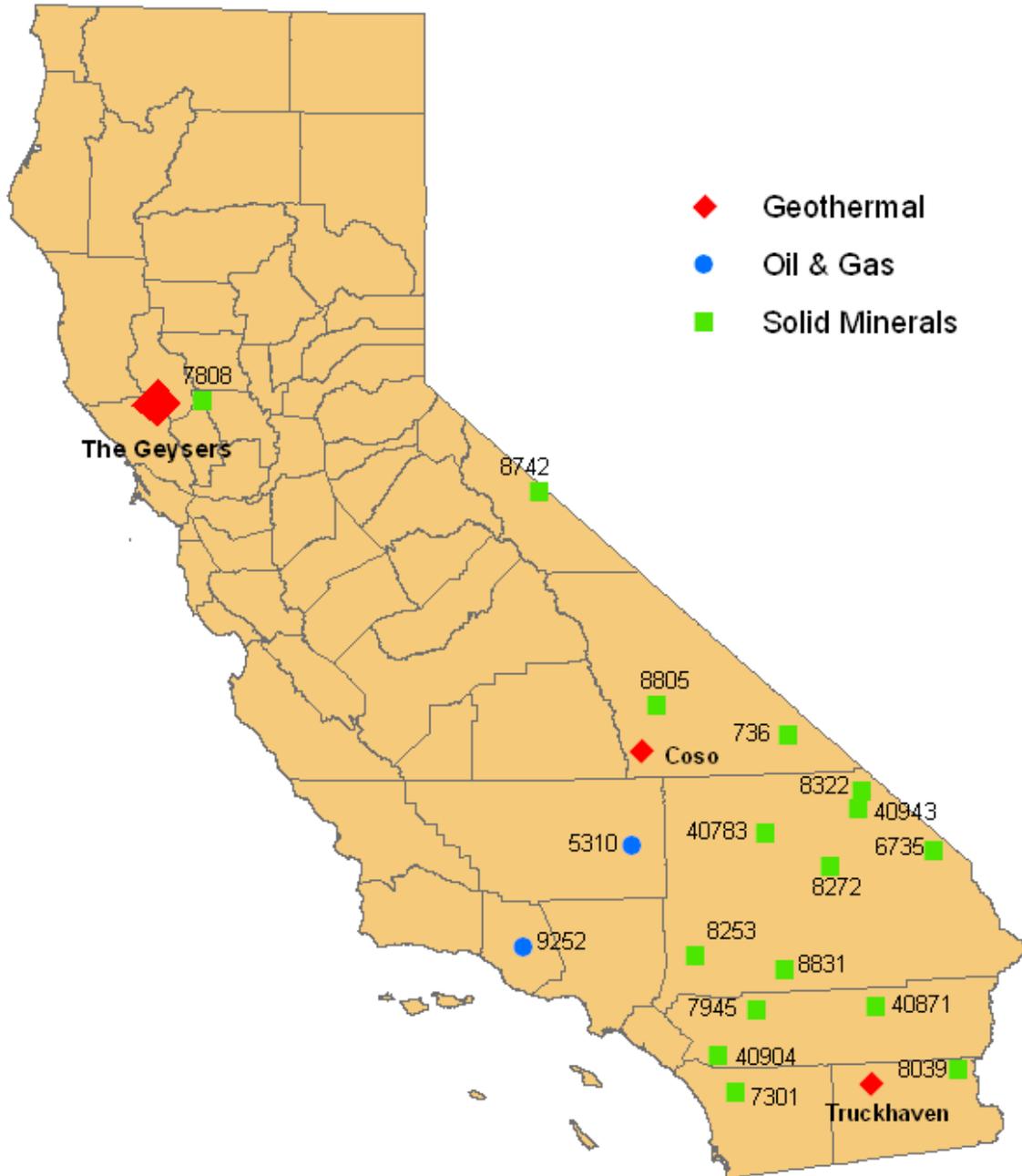
Bat gate, Golden Bee Mine, Joshua Tree NP

## **OIL & GAS PROGRAM**

Revenue from the oil & gas program totaled \$532,796.24 for FY 2008-09, a 17% decrease from the prior year. Oil production increased by 7% on the two school lands parcels where the State has a 1/16th reserved mineral interest. However, the average oil price decreased by 23% over the prior year, averaging \$63.45 per barrel. Most of the revenue, \$530,633.88, came from the 160-acre Round Mountain parcel (VA 5310) located northeast of Bakersfield in Kern County. The parcel is part of a unit operated by MacPherson Oil Company. The balance of the revenue, \$2,162.36, came from the seven-acre Sulfur Crest parcel (LA 9252) located in the Ojai oil field in Ventura County.



# REFERENCE MAP FOR PARCELS ASSOCIATED WITH GEOTHERMAL, SOLID MINERALS, AND OIL & GAS PROGRAMS



**SUMMARY OF REVENUE GENERATED FROM GEOTHERMAL,  
SOLID MINERALS, AND OIL & GAS PROGRAMS -  
FISCAL YEAR 2008-09**

**STRS FUND**

Geothermal Royalties:

Royalties from producing leases:	\$ 5,027,686.02
Royalties from 1/16 <sup>th</sup> agreement parcel:	\$ 12,776.98
Supplemental Royalty from one lease:	\$ 391,820.64
<b>Geothermal Total:</b>	<b>\$ 5,432,283.64</b>

Solid Minerals Royalties:

Royalties from leases:	\$ 240,269.15
Royalties from 1/16 <sup>th</sup> agreement parcel:	\$ 21,700.84
<b>Solid Minerals Total:</b>	<b>\$ 261,969.99</b>

Oil & Gas Royalties:

<b>Oil &amp; Gas Total:</b>	<b>\$ 532,796.24</b>
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**TOTAL GROSS REVENUE: \$ 6,227,049.87**

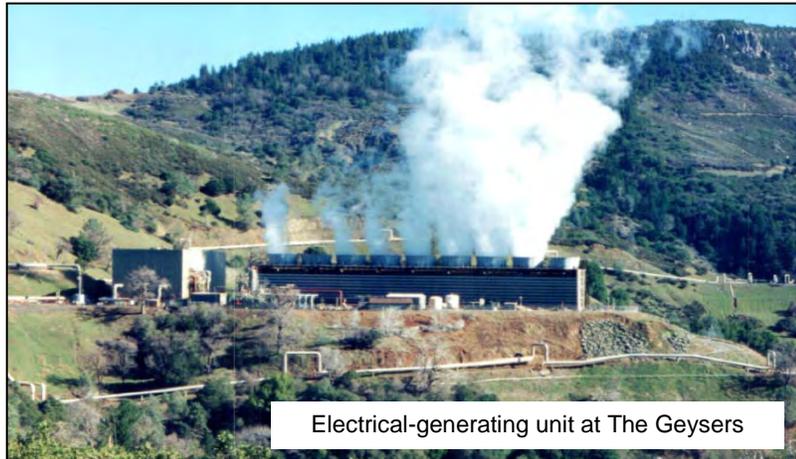
## **FISCAL YEAR 2009-10 PLANNED ACTIVITIES**

### ***GEOHERMAL PROGRAM***

#### **The Geysers**

Staff estimates revenue from school lands geothermal leases at The Geysers will reach \$4.2 million in FY 2009-10. Steam production is expected to remain stable and prices for electrical power are expected to improve.

Staff expects to complete negotiations with Geysers Power for a new 400-acre lease and obtain CSLC approval of that lease. Staff also anticipates receiving an application from Geysers Power for an amendment to lease PRC 8556 to authorize its inclusion



Electrical-generating unit at The Geysers

in a large development plan proposed for the northwest part of the field. Well drilling proposals are then expected from Geysers Power on lease PRC 8556 and the new 400-acre lease to facilitate that plan. Geysers Power has not ruled out construction of one or more new generating facilities in the area, but staff believes it is more likely to transport new steam to its existing plants.

#### **Geothermal Prospecting Permit**

Staff will continue to urge Deep Rose Geothermal 16 LLC to initiate exploratory drilling on the 640-acre school lands parcel in Inyo County before its geothermal prospecting permit expires at the end of April 2010. If the permit expires, Deep Rose may apply for a new permit, but staff will likely examine other options, such as another applicant or the possibility of offering the parcel for lease by competitive bid.

#### **Geothermal Applications and Competitive Leasing Nominations**

Staff plans to review the environmental documentation prepared for the CEQA lead agency CDOGGR for U.S. Renewables Groups applications for prospecting permits on school lands in the northern part of The Geysers, and to recommend the CSLC issue those permits. Staff also intends to proceed toward a competitive bid lease sale for school lands in the Truckhaven area of Imperial County.

## **SOLID MINERALS PROGRAM**

### **Mineral Lease Management**

Staff is hopeful that revenue from solid mineral leases can exceed \$300,000 in FY 2009-10 due to increased demand for aggregate and other mineral commodities following a more a stabilized economy throughout the State and nation.

Staff will continue to work with Inyo County and the OMR on reclamation issues before recommending the CSLC accept the quitclaim deed submitted by USB for its lease (PRC 736) at the Gerstley Mine. USB must first meet the required performance standards for re-vegetation. Staff anticipates another inspection at the site with all involved agencies in the spring of 2010.

Staff expects economic recovery will induce Hanson to bring its Lakeside Quarry (PRC 7301) back on production. The quarry was idled due to depressed sales and excessive fines. Staff also expects Hanson will pay the minimum annual royalty due July 25, 2009, and that the lease can ultimately be renewed under terms that are mutually acceptable to both Hanson and the State.

Although Western Mesquite has returned its Mesquite Mine Complex to production following acquisition of new heavy equipment, mining on the State lease (PRC 8039) is not planned until 2017. However, staff believes rising gold prices may warrant a new mine plan that could increase reserves and shorten the period until the State resource is developed. Staff plans to pursue this matter with Western Mesquite.

Staff anticipates that aggregate production at Vulcan's Black Angel Mine (PRC 8253) will continue to improve. Production appears to have bottomed in the fall of 2008, as sales increased markedly in 2009. All of the aggregate producers are looking forward to stabilization of the housing market and the economy as a whole, as well as introduction of "stimulus funds," so that aggregate demand will increase.

Staff expects Protech's lease (PRC 8322) at the Pioneer Mine to remain challenged by the importation of inexpensive foreign talc. The lease is up for renewal in 2011.

Staff expects Granite's lease (PRC 8272) at the Ludlow pit to return to production if a contract to supply aggregate for repaving a portion of Interstate 40 can be secured. The lease is up for renewal early in 2011 and staff plans to negotiate new terms to lower the minimum annual royalty, but increase the royalty per ton payment in anticipation of the increased production. Staff is also hopeful Granite's operation at the Palm Desert Pit (PRC 7945) can reach production levels achieved prior to the economic downturn. Like the State's other lessees,

Granite is looking forward to the economic recovery to spur an increase in demand for mineral commodities.

Pending confirmation of ownership of the Jacobson Quarry (W 40783), staff anticipates seeking CSLC approval for a settlement agreement in the amount of \$80,000 for aggregate material removed from that portion of the quarry where the State has a reserved 1/16<sup>th</sup> mineral interest.

### **Mineral Lease Applications**

Staff will continue processing two current lease applications that should result in new leases and increased revenues in FY 2009-10. Consideration of the issuance of a negotiated lease for Granite for its Liberty Quarry may not occur in FY 2009-10, as staff must await the completion of an EIR by Riverside County prior to its consideration of approval of a Conditional Use/Mining Permit. The County is the Lead Agency under CEQA and the Surface Mining and Reclamation Act. The CSLC can only consider issuance of a lease as a Responsible Agency under CEQA if the County certifies the EIR and approves the CUP/Mining Permit.

Staff plans to continue working with San Bernardino County during the environmental review of the Bureau of Reclamation's proposal to reactivate its Manchester Quarry for providing rock to protect levees of the Colorado River. Revenue from a State lease could exceed \$5 million over the proposed 25-year project life of the mine reactivation.

### **Mineral Exchange Application**

Staff does not anticipate completing Kaiser's proposed mineral exchange during FY 2009-10. Kaiser has placed its application in abeyance pending a ruling by the Ninth Circuit Court of Appeals regarding its land exchange with the BLM.

### **Mineral Prospecting Permit Applications**

Staff expects Cougar Gold to apply for a new prospecting permit to replace the existing permit that is set to expire in February 2010. Cougar continues to assess the State parcel for precious metals. Staff also expects to meet with representatives of CPX Uranium in the field to discuss the details of its mineral exploration to determine if more intensive exploration is warranted.

### **Abandoned Mine Lands**

Staff will continue to work with OMR in an effort to inventory and remediate hazardous mine features located on school lands parcels. Inventory work will also continue, as will biologic and historic resource surveys, the posting of mine warning signs and the construction of fences around mine features. Numerous

mine closures were planned during FY 2009-10. These include possible backfill of the Arrow Mine in San Bernardino County, and fencing of the Little Dove Mine, New Deal Mine, and County Line shaft in San Bernardino County. Staff hopes to conduct further biologic



studies with Dr. Pat Brown to assess the wildlife usage of the numerous shafts and adits found on a State parcel in the Shadow Mountains of San Bernardino County. Numerous fences have been erected to safeguard the public but more permanent closures may be in order pending results of the studies. Staff is working to offset the impacts of reduced work hours so that progress can continue to safeguard the public and wildlife from abandoned mine features on school lands.

### ***OIL & GAS PROGRAM***

Staff estimates revenue from the two school lands oil & gas parcels will be maintained above \$500,000 during FY 2009-10, as oil prices are expected to remain stable.

## FINANCIAL SUMMARY: FISCAL YEAR 2008-09

### STRS FUND

#### REVENUES AND EXPENSES

##### Revenues:

Surface Rentals .....	\$	182,358.21
Geothermal .....	\$	5,432,283.64
Solid Minerals .....	\$	261,969.99
Oil and Gas .....	\$	532,796.24
<b>GROSS REVENUES .....</b>	<b>\$</b>	<b>6,409,408.08</b>
Less: Geothermal Resource Development Account (GRDA) Deposits.....	\$	<84,310.05>
(Public Resources Code Section 3826)		
<b>TOTAL .....</b>	<b>\$</b>	<b>6,325,098.03</b>

##### EXPENSES: Net Management Costs

Land Management .....	\$	444,039.80
Geothermal .....	\$	559,774.37
Solid Minerals .....	\$	291,539.46
Oil and Gas .....	\$	2,101.53
Ownership Determination .....	\$	51,386.03
<b>GROSS EXPENSES .....</b>	<b>\$</b>	<b>1,348,841.19</b>
Less: Reimbursement Recovery .....	\$	<215,004.34>
<b>TOTAL EXPENSES .....</b>	<b>\$</b>	<b>1,133,836.85</b>

**NET REVENUE TO STRS .....** \$ **5,191,261.18**

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### SCHOOL LAND BANK FUND

Balance as of July 1, 2008.....	\$	59,626,639.28
SMIF Interest Earned Fiscal Year 2008-09.....	\$	1,066,162.99
Revenue from Land Sales .....	\$	640,000.00
Misc. Accounting Adjustment .....	\$	1,075.07
Less: Expenses.....	\$	<355,811.06>
Net Revenue to SLBF .....	\$	1,351,427.00
Less: Loan to General Fund .....	\$	<59,000,000.00>
<b>BALANCE OF FUND AS OF JUNE 30, 2009.....</b>	<b>\$</b>	<b>1,978,066.28</b>

## **ABBREVIATIONS AND ACRONYMS**

ASD	Appraisal Services Directorate, U.S. Department of the Interior
BLM	U.S. Bureau of Land Management
BOR	U.S. Bureau of Reclamation
CDPA	California Desert Protection Act
CDOGGR	California Division of Oil, Gas, and Geothermal Resources
CEQA	California Environmental Quality Act
CPX	CPX Uranium, Inc.
CSLC	California State Lands Commission
EIR	Environmental Impact Report
EIS	Environmental Impact Statement
FY	Fiscal Year
LLC	Limited Liability Corporation
LMD	Land Management Division
MRMD	Mineral Resources Management Division
OMR	California Department of Conservation, Office of Mine Reclamation
PRC	California Public Resources Code
SLBF	School Land Bank Fund
STRS	State Teachers' Retirement System
SVRA	State Vehicular Recreation Area
USB	U.S. Borax, Inc.
USRG	U.S. Renewables Group