

Office of State Lands and Investments
Funding Wyoming Public Education

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Dave Freudenthal
Governor

Lynne Boomgaarden
Director

September 1, 2003

The Honorable Dave Freudenthal, Governor of Wyoming
Members of the Wyoming Legislature
Wyoming Department of Audit

I respectfully submit to you the Strategic Plan of the Office of State Lands and Investments for the period of July 1, 2004 to June 30, 2008. It was my hope that the Office of State Lands and Investments would submit its Strategic Plan in the new format being utilized by a number of other agencies, as it is my belief that the new format will improve the specificity of the plan and accountability of the Office with regard to performance objectives. Unfortunately, this year's submission deadline did not correlate with the ongoing, coordinated planning efforts of the Board of State Land Commissioners, the State Loan and Investment Board and the Office of State Lands and Investments.

The ongoing planning process was initiated in mid-June, with the first in a series of working meetings designed to assist the board members in charting a course for informed, proactive and cost-based land, mineral and investment management policy. The end-product of this process will be a comprehensive trust asset management plan that clearly and concisely articulates the governing trust principles, the Boards' management objectives, and core indicators by which to measure the Office's performance toward attainment of those objectives. This comprehensive plan should be in place by mid-2004 and will serve as the foundation for next year's Strategic Plan, in the revised, more functional format.

I am pleased to be serving the State of Wyoming and hope to make a positive difference through efforts such as this. Please do not hesitate to contact me if you would like further information concerning my Office's planning efforts.

Sincerely,


Lynne Boomgaarden

STATE OF WYOMING



OFFICE OF STATE LANDS AND INVESTMENTS

STRATEGIC PLAN

For the Period
July 1, 2004 through June 30, 2008

LYNNE BOOMGAARDEN
DIRECTOR

September 1, 2003

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MISSION STATEMENT

To provide timely, accurate and cost effective service to the Board of Land Commissioners, the State Loan and Investment Board, policymakers and the citizens of Wyoming to facilitate decision making that will protect and optimize the value of the State's Trust assets in accordance with the Wyoming Constitution, Wyoming Statutes and best management practices.

STATEMENT OF PHILOSOPHY AND VISION

We are committed to fairness, integrity and accountability as we:

- Manage surface, mineral and forest resources under the jurisdiction of the Board of Land Commissioners in a professional manner to enhance the value for Trust Fund beneficiaries;
- Augment the financial management of State investments through investment policy analysis and implementation of legislatively directed investment programs under the jurisdiction of the State Loan and Investment Board;
- Encourage all interested parties to actively participate in the state land management process;
- Facilitate grants, loans and technical assistance to strengthen community and rural infrastructures;
- Use technology to increase efficiency and accuracy;
- Promote and provide technical and financial assistance to landowners and communities in the scientific management, protection and utilization of Wyoming's forest and tree resources; and
- Use the expertise of our staff while providing a work environment conducive to professional growth.

SITUATION ANALYSIS

INTRODUCTION

The Office of State Lands and Investments was established as a separate operating agency of state government in 1992. The predecessor of the Office was the combined staff of the Board of Land Commissioners and the Farm Loan Board (renamed in 1997 as the State Loan and Investment Board) working under the direction of the Commissioner of Public Lands, holding the dual position of Farm Loan Commissioner. The Office provides administrative support for the Board of Land Commissioners and the Loan and Investment Board.

Board of Land Commissioners

The Board of Land Commissioners was constitutionally created in 1890 and is composed of the Governor, Secretary of State, State Auditor, State Treasurer, and Superintendent of Public Instruction. Under Section 3 of Article 18 of the Wyoming Constitution, subject to the direction of the Legislature as limited by the Constitution, the Board is responsible for the direction, control, leasing, and disposal of State lands. The Board currently manages approximately 3.6 million surface acres and 4.2 million mineral acres of State lands. Wyoming received these lands at statehood via a grant by Congress to provide financial support for several named beneficiaries, the largest of which is the common schools. These lands are often referred to as "state trust lands."

With one exception, all use of state trust land generates income for the state. The Board leases virtually all of the surface estate of the state trust lands for grazing and agricultural use, with a small portion leased for industrial, commercial, or recreational use. Easements, temporary use permits, and timber sales provide additional income. Most of the revenue from state trust lands is attributable to mineral leases. Revenues go to the State's schools and institutions thereby reducing the burden on the general fund, which would otherwise have to be paid through taxation. The one non-revenue producing use is casual recreation by the general public on state lands with legal access.

The Office maintains all records for the Board, processes applications for leases, easements and permits, conducts oil and gas lease auctions, prepares timber sales, collects lease rental and royalty payments, analyzes proposed real estate transactions, and makes recommendations, through the Director, on all business coming before the Board.

State Loan and Investment Board

The State's five elected officials also comprise the State Loan and Investment Board. This Board was statutorily created as the Farm Loan Board in 1921 to administer what is now commonly referred to as the farm loan program. The farm loan program was established to foster and encourage agriculture, dairying and livestock raising in Wyoming. The Board is authorized to loan up to \$275 million in state permanent funds under this program.

Beginning in 1955 with the addition of the irrigation loan program, the Legislature assigned numerous additional programs to the Board. These include the joint powers act loan program, state water pollution control revolving loan program, state drinking water revolving loan program, capital facilities revenue bond program, school district capital construction grant program, mineral royalty capital construction grant program, school district and local government bond guarantee program, transportation enterprise fund grant program, state investment policy, bond issuance and specific duties of the Board of Deposits.

The Office processes applications for loans, grants and guarantees, appraises loan security, receives and credits loan payments, and makes recommendations, through the Director, on all business coming before the Board.

Additional Programs

In addition to its support role for the two boards, the Office administers several programs. These programs include the Wyoming Conservation Program and federally assisted programs for community, forestry, private forest land management, forest product utilization, forest health and rural fire protection and suppression. The Director also serves as a member of the Oil & Gas Conservation Commission; alternate to the Interstate Oil and Gas Compact Commission; as State representative to the Royalty Policy Committee of the Minerals Management Service; and as State representative to the Regional Coal Team.

MAJOR PROGRAM DETAILS

State Trust Land Management – Overall management and protection of approximately four million acres of lands and minerals contained in the State Land Trust and located throughout the State. The Office is responsible for all activities affecting State Lands, including the issuance and administration of grazing and agricultural leases, special use leases, mineral leases, easements, temporary use permits and the sale and exchange of State lands. The Office's duties concerning state trust lands are primarily set forth at W.S. 36-3-101 et. seq.

All policies regarding the management of state trust lands are established by statute within Title 36 or by rules adopted by the Board of Land Commissioners. Because the revenues earned on state trust lands reduce the need for taxation, all Wyoming taxpayers are stakeholders of this program.

Forestry – Management, protection and improvement of all forested lands under the jurisdiction of the State of Wyoming as provided in W.S. 36-2-108. This statute also creates the position and lists the duties of the State Forester, who heads the Forestry Division of the Office. The Director, as authorized under W.S. 36-1-112, may sell timber products from state trust lands. The Forestry Division administers the statewide rural fire protection, forest management and utilization, community forestry, forestry conservation and forest health programs. Rural landowners, communities, counties and fire departments, and forest industries are the primary stakeholders in the various forestry programs. The Forestry Division operates with the advice of the Forest Advisory Committee, Fire Advisory Board, Wyoming Community Forestry Council and the Wyoming Forest Stewardship Coordinating Committee.

Farm and Irrigation Loans -- The farm loan program (W.S. 11-34-101 et. seq.) and the irrigation loan program (W.S. 11-34-301) of the State Loan and Investment Board provide valuable aid to Wyoming's agricultural industry and the development of water resources in Wyoming. Within the last two years, the Legislature authorized two new farm loan programs, the Beginning Agricultural Producers Loan Program and the Breeding Livestock Loan Program. Beginning Agricultural Producer loans are intended to assist beginning farmers and ranchers in establishing a production agricultural business. The Breeding Livestock Program allows for the purchase of breeding livestock when the Governor has declared that drought conditions have existed in individual counties for not less than two immediate preceding years and if the Governor declares that the conditions have abated. At the same time, the farm loan program continues to provide a competitive market return on investment to the State's permanent fund.

Government Grant and Loan Programs -- Local governmental entities and their residents are the stakeholders for the Mineral Royalty Capital Construction Grant program (W.S. 9-4-604), the Joint Powers Act Loan program (W.S. 16-1-109), the State Water Pollution Control Revolving Loan program (W.S. 16-1-201), the State Drinking Water Revolving Loan program (W.S. 16-1-301), the Abandoned Mine Land Grant program (W.S. 35-11-1202 and 35-11-1207), and the Transportation Enterprise Fund Grant program (W.S. 11-34-131). These funds are a tremendous aid to cities, counties, schools, and special districts in providing government services and public facilities.

Financial Management -- Pursuant to W.S. 9-4-709, the Office works closely with the State Treasurer's Office and the Board's contract Investment Advisor on

matters of investment policy and performance. Other programs in this area are: Capital Facility Bond issuance (W.S. 9-4-605), Worker's Compensation Revenue Bond issuance (W.S. 27-4-104), and guarantee of school district and local government bonds (W.S. 9-4-1001 and 9-4-1002). All Wyoming citizens are stakeholders in this program area.

TRENDS AND CONDITIONS AFFECTING AGENCY

1. A need for significant additional funding for public school capital construction may result in demand for increased revenue from state trust lands and the permanent funds. This demand could lead to greater administrative burden on the Office.
2. Coal bed methane development activities in several Wyoming counties have increased the Office's workload in the areas of information requests, leasing and surface impact analysis.
3. Increased fire suppression activities associated with the wildfires related to ongoing drought has resulted in budget challenges for the Office.
4. Local governmental entity grant applications from the Mineral Royalty Capital Construction Grant Program greatly exceed available funds, therefore necessitating prioritization of allocations.

Agency Strengths

1. Skilled, professional, dedicated employees with many years of experience.
2. Diverse resource base that contributes to compatible surface and sub-surface use opportunities.

Agency Weaknesses

1. Small field staff allows for limited on-site presence for state trust lands.
2. Slow progress toward development and implementation of integrated data systems make analysis and reporting of information time consuming.
3. Lack of public awareness relative to the responsibilities and role of the Office of State Lands and Investments.
4. Limited cross training and back-up support opportunities for agency programs.

Agency Obstacles

1. Extensive land inventory, scattered statewide and integrated into federal land planning processes, impede efficient management toward fulfilling trust objectives.
2. Conflicting demands for use of state trust land resources.
3. Funding limitations.

Agency Opportunities

1. Continue to automate/integrate all program data to provide credible, accurate data in a timely and efficient manner.
2. Share with clients, beneficiaries and the general public the philosophy and management responsibilities of the State Land Trust via public meeting process and outreach publications.
3. Sale of mineral royalty-in-kind to enhance the return from oil and gas leases.
4. Utilize an e-portal project to conduct oil and gas lease auction via the internet.

**GOAL 1 – IN COMPLIANCE WITH OUR MANDATED AUTHORITY,
MANAGE THE ASSETS AND RESOURCES OF THE STATE AND THE TRUST IN
A MANNER THAT WILL PROVIDE THE OPTIMUM BENEFIT FOR THE TRUST**

BENEFICIARIES AND WYOMING CITIZENRY.

OBJECTIVE A: Manage state-owned mineral assets to optimize the extracted value while guarding the whole of the land asset base against adverse economic exposure.	
OUTCOME 1: The accurate and timely collection of all bonuses, rentals and royalties due for the grant of a right to develop a property interest in state-owned mineral resources.	
STRATEGY	OUTPUT
1. Maintain, develop and implement appropriate accounting and operational division audit programs.	1.1a: Number of yearly desk audit reviews.
	1.1b: Number of yearly “look back” audit reviews.
OUTCOME 2: Optimization of existing state mineral estate under lease for prospecting and development of multiple mineral commodities.	
STRATEGY	OUTPUT
2. Implementation of an aggressive mineral leasing program.	2.1a: Number of new leases issued yearly.
	2.1b: Number of oil and gas lease auctions held annually.
	2.1c: Number of over-the-counter leases issued annually.
OUTCOME 3: Minimized risk of adverse sub-surface resource development and administrative cost exposure.	
STRATEGY	OUTPUT
1. Closely monitor all cost control points related to sub-surface asset management.	3.1a: Number of premature well abandonments avoided.
	3.1b: Number of offsetting lease status reviews.
	3.1c: Number of field site reviews related to environmental and production security.
	3.1d: Number of payer/reporter system changes effected related to data acquisition and storage.
	3.1e: Number of royalty valuation reduction accounting items/issues denied.
OBJECTIVE B: Process applications and administer leases, permits and easements on state trust land in an efficient and timely manner.	
OUTCOME 4: Provide income/revenue for the Land Income Fund and Permanent Land Fund.	
STRATEGY	OUTPUT
1. Lease land and issue permits for	4.1a: Income derived from leases.

multiple purposes.	4.1b: Income derived from temporary use permits.
	4.1c: Revenue generated from surface impact payments.
2. Process and record applications for surface lease status changes.	4.2a: Number of leases processed.
	4.2b: Number of assignments processed.
	4.2c: Number of subleases processed.
	4.2d: Number of improvement applications processed.
3. Develop current lease rates and permit fees.	4.2e: Number of surface impact payments processed.
	4.3a: Complete annual updates of grazing and agricultural fee formula.
4. Verify type and condition of land under lease or permit.	4.3b: Number of market lease rate investigations for commercial, industrial, residential, recreational and other uses.
	4.4: Number of field inspections.
5. Process easement applications.	4.5a: Number of easements issued.
	4.5b: Revenue generated from grants of easements.

OBJECTIVE C: Provide lending alternatives and support to Wyoming agriculture.	
OUTCOME 5: Maximize use of Farm Loan Fund to benefit Wyoming citizens.	
STRATEGY	OUTPUT
1. Advertise program availability.	5.1a: Number of applications received.
	5.1b: Number of educational outreach venues.
2. Process new loan applications.	5.2a: Number of new farm loans and irrigation loans processed.
	5.2b: Complete annual review of the farm loan interest rate.

OBJECTIVE D: Manage forested State lands to maximize long-term return on a sustainable basis.
OUTCOME 6: Forested trust land will be managed according to written prescription on a sustainable basis.

STRATEGY	OUTPUT
1. Inventory forested trust lands.	6.1a: Number of parcels and acres inventoried.
2. Implement management plans for commercial and pre-commercial activities.	6.2a: Number of management plans.
	6.2b: Number of acres treated pre-commercially.
	6.2c: Number of acres treated commercially.
3. Maintain forested trust land base within identified forest product market areas.	6.2d: Dollars of revenue generated.
	6.3a: Number of parcel with access.
	6.3b: Number of land exchanges that enhance the forestland base or access.

OBJECTIVE E: Cooperation with county fire wardens and rural fire departments to provide rural fire management to State and private lands and 260 incorporated and un-incorporated rural communities.

OUTCOME 7: Provide well-trained and equipped fire management resources that can request or provide interagency assistance.

STRATEGY	OUTPUT
1. Provide training for Wyoming's rural fire management resources.	7.1a: Number of Rural Firemen trained.
	7.1b: Number of fire training sessions.
	7.1c: Number of wildland firefighters that meet NWCG 310-1 qualifications.
2. Provide financial assistance to counties and rural fire departments through the State Fire Assistance Program, Volunteer Fire Assistance Program and Mineral Royalty Grant Program.	7.2: Number of grants funded.
3. Coordinate and provide assistance to landowners and local communities in National Fire Plan implementation.	7.3a: Acres of fuel treatment completed.
	7.3b: Number of defensible space projects.
	7.3c: Number of community assistance projects.
	7.3d: Number of fire hazard assessments.
	7.3e: Number of fire prevention and education projects.

OBJECTIVE F: Provide assistance to communities, private landowners, forest products industry and the general public in the establishment, protection and utilization of trees.

OUTCOME 8: Wyoming landowners, communities and state agencies value well-managed forests and trees and will actively implement practices to achieve desired results.

STRATEGY	OUTPUT
<p>1. Provide technical and financial assistance to private landowners.</p>	<p>8.1a: Number and acres of Forest Stewardship plans prepared.</p>
	<p>8.1b: Number and value of cost share projects approved.</p>
	<p>8.1c: Number of acres treated.</p>
	<p>8.1d: Number and linear feet of conservation plantings.</p>
<p>2. Provide technical and financial assistance to incorporated communities.</p>	<p>8.2a: Number of Community Forest Management plans prepared.</p>
	<p>8.2b: Number and value of Urban & Community Forestry grants approved.</p>
	<p>8.2c: Number of Communities qualifying as "Tree City USA".</p>
<p>3. Provide Forest Health technical and financial assistance to WSFD cooperators and clients.</p>	<p>8.3a: Number and value of Insect & Disease (I&D) suppression projects funded.</p>
	<p>8.3b: Number of landowners and cooperators provided with I&D assistance and assistance received.</p>
<p>4. Cooperate with Department of Transportation, counties and Conservation Districts to establish living snow fence along state and county highways.</p>	<p>8.4a: Linear feet of Living Snow Fence (LSF) planted.</p>
	<p>8.4b: Number and value of LSF grants approved.</p>

OBJECTIVE G: Provide inmate training and work experiences for fire suppression and

<i>service projects to communities, counties and agencies.</i>	
OUTCOME 9: Inmates will be trained in job skills that will allow them to complete projects while incarcerated and may enhance employment opportunities upon release.	
STRATEGY	OUTPUT
1. Operate Forestry Conservation Projects out of the Wyoming Honor Conservation Camp and Wyoming Honor Farm.	9.1a: Number of inmates trained and available for crew assignment.
	9.1b: Number of projects completed.
	9.1c: Number of wildfire and prescribed fire assignments.
	9.1d: Number and value of contracts completed.
	9.1e: Number and value of products produced and sold.
	9.1f: Number of acres treated.

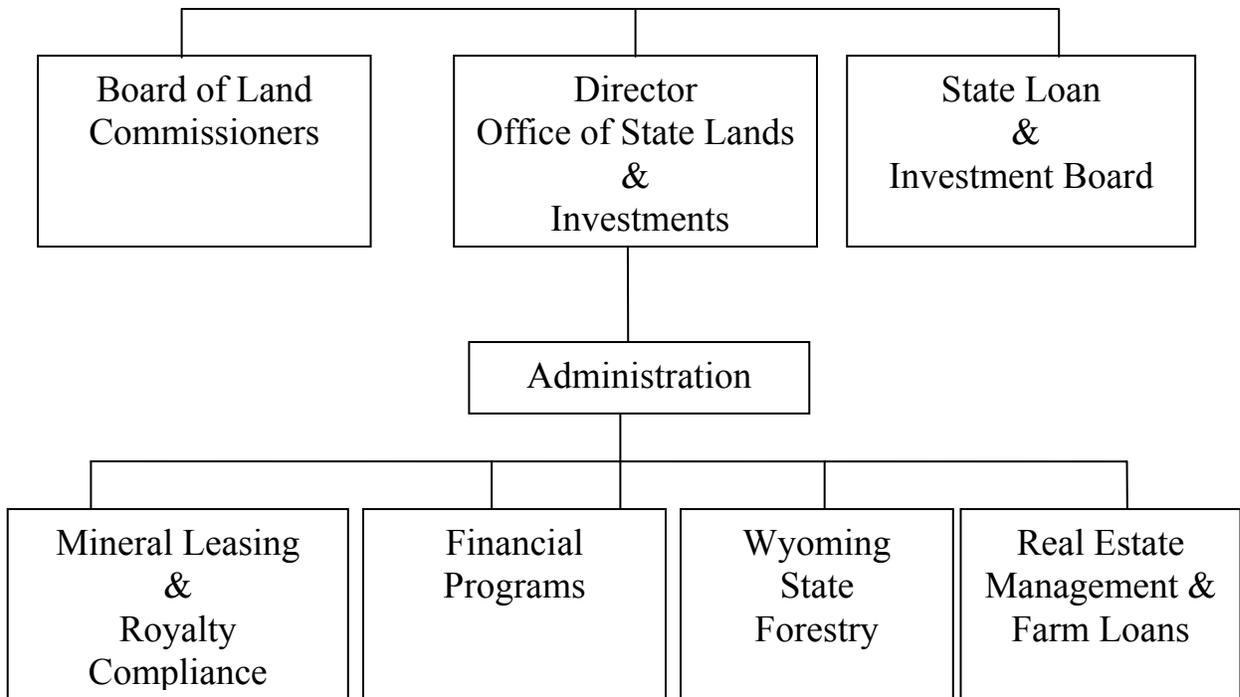
<i>OBJECTIVE H: Maximize investment earnings of State funds by monitoring changes in the investment market as they relate to the State Investment Policy Statement and through bond issuances as provided by statute.</i>	
OUTCOME 10: Maximize the return on the investment of State funds by measuring against market, established indices or benchmarks.	
STRATEGY	OUTPUT
1. Insure compliance of the Investment Policy Statement for the investment of all state funds.	10.1a: Update policy statement annually.
	10.1b: Conduct compliance audit annually.
	10.1c: Review performance of State investments quarterly.
2. Insure designated agencies financial flexibility through issuance of bonded indebtedness.	10.2: Number of bond issues considered.

OBJECTIVE I: Facilitate financial assistance to incorporated communities, counties, school districts, special governmental entities and eligible private enterprises.

OUTCOME 11: Maximum use of State's resources to benefit the citizens of Wyoming.	
STRATEGY	OUTPUT
1. Provide community assistance through Mineral Royalty Grant Program, State Revolving Loan Programs for Wastewater Treatment and Drinking Water, Joint Powers Act Loan Program, Abandoned Mine Land Program and Transportation Enterprise Program.	11.1: Number of applications received, processed and number of recommendations developed.
2. Provide governmental assistance through OMNIBUS Program, Capital Facilities Bonds and State Revolving Loan Program for Leaking Underground Storage Tank Program.	11.2a: Number of applications received and processed.
	11.2b: Number of bonds issued.
3. Provide assistance to schools through School District Capital Construction Grants and School District Bond Guarantee Programs.	11.3a: Number of grant applications received and processed.
	11.3b: Number of bond guarantee applications received and processed.

Office of State Lands & Investments

Organizational Structure



RESPONSES TO QUESTIONS IN W.S. 28-1-115

I. **The specific purpose of each program, function and activity of the executive branch of government or any other entity that receives funding from State revenue.**

State Trust Lands

Under Article 18, Sections 2 and 3 of the Wyoming Constitution, as well as through Wyoming Statutes 36, Chapters 2, 3, 5, and 6 and Wyoming Statute 11-34-120, this program administers all rules, regulations, and contracts governing the use of surface and the mineral estate of state trust lands. This includes 3.6 million acres of surface estate and 4.2 million acres of mineral estate. This is accomplished by the issuance and administration of over 4,600 grazing and agricultural leases, special use leases, and temporary use permits and by management of the weed and pest control program. This program also involves exchanges, sales, and easements, under W.S. 36-1-105 through 111 and W.S. 36-9-101 through 120. The Office processes approximately 200 easement applications per year for public uses such as roads, utility lines, pipelines, and railroads.

In addition, this program includes the leasing for mineral exploration and development and the collection of mineral royalties on 1024 operating leases and 10 major produced minerals. The program is responsible for the issuance and administration of over 4,000 mineral leases, and maintaining accurate and current records related to those leases. Further, it must ascertain compliance with all State land mineral royalty obligations.

Forestry Programs

As directed by W.S. 36-2-108, the Wyoming State Forestry Division provides leadership in developing forest policy and rural fire protection programs that ensure the application of sustained management practices for all State and private forestlands in Wyoming. These functional programs include State Land Forest Management, Volunteer Fire Assistance, State Fire Assistance, Stewardship, Forest Health, Community Forestry, Education and Outreach, Tree Improvement and Forestation, Forest Products Utilization and Administration.

Farm and Irrigation Loans

In 1921, the Wyoming State Legislature established the Farm Loan Program in order to encourage farming and ranching within the State by providing long-term real estate loans at reasonable, fixed interest rates, W.S. 11-34-101. The Farm Loan Division is responsible for issuance, maintenance, and collection of over 600 loans.

The Wyoming Legislature created the Irrigation Loan Program in 1955 to provide low interest rate loans to finance the construction of water development projects in the State. One-half of the loan allocation is to be used for small water development projects (\$150,000 or less), which are primarily on-farm irrigation projects. The other half of the loan allocation is available for larger projects that have agricultural, recreational or municipal purposes. Recent legislation authorized two new farm loan programs, the Beginning Agricultural Producers Loan Program and the Breeding Livestock Loan Program. Beginning Agricultural Producer loans are intended to assist beginning farmers and ranchers in establishing a production agricultural business. The Breeding Livestock Program allows for the purchase of breeding livestock when the Governor has declared that drought conditions have existed in individual counties for not less than two immediate preceding years and if the Governor declares that the conditions have abated. W.S. 11-34-301 et. seq.

At the present time the Legislature has allocated \$275,000,000 from the permanent Mineral Trust Fund for the Farm Loan program and \$20,000,000 for the Irrigation Loan program.

Grant and Loan Programs

The Government Grants and Loan Division is responsible for the administration and accounting for several programs. These programs, which are statutorily mandated (W.S. 9-4-601 through 9-4-604, W.S. 9-4-605, W.S. 35-11-1202 & 1207, W.S. 16-1-109, W.S. 36-8-318, W.S. 21-15-106, W.S. 9-4-307, W.S. 9-4-1001, W.S. 9-4-1002) include: Joint Powers Act Loans, Mineral Royalty Grants, School District Capital Construction, Omnibus Emergency Grants which are to be used by the Departments of Corrections, Health, and Family Services, Abandoned Mine Land Grants, Hot Springs State Park Loans, Capital Facilities Bonds, Local Government Bond Guarantee, and School District Bond Guarantee programs. Several of the programs are handled administratively in conjunction with State and federal agencies.

Financial Management

The State Loan and Investment Board provides financial management for several programs (W.S. 9-4-709 through 711, W.S. 27-14-104). The Office coordinates all activities including establishing investment policy statements for all state funds, reviewing the reasonableness and comprehensiveness of the investment policy statements annually, and evaluating the performance of the investments quarterly. The Agency administers the issuance of revenue bonds authorized by the State Loan and Investment Board for capital facility construction projects and to benefit the worker's compensation account.

II. The specific public benefit that does or should result from the program,

function or activity.

State Trust Lands

The Wyoming citizenry receives the benefit of funding for public schools and state institutions with the revenues from this program without additional personal tax ramifications.

Forestry Programs

Rural areas will have cost effective fire management. Forest health conditions are monitored and technical assistance is provided in the proper management of community, State, and private forest lands. Wyoming Forestry Conservation Programs benefit the public through cost effective fire management activities to interagency cooperators and service projects to other government entities.

Farm and Irrigation Loans

The greatest public benefit from both of these programs flows to one of Wyoming's largest industries, agriculture. The programs provide long term, fixed interest rate real estate loans. The Farm Loan program is also a sound investment of State funds, yielding 8% to 9%.

Grant and Loan Programs

Public benefit resulting from the various programs includes but is not limited to providing needed infrastructure and services, financial assistance to local school districts for capital construction, public safety through purchase of fire trucks and ambulances, and protection of Wyoming's water and air from pollution, contamination from landfills, and wastewater discharge.

Financial Management

By developing investment policy and debt issuance functions, the Office supports the use of progressive financial techniques that can result in enhanced returns on State investments.

III. Alternative courses of action that would result in administration of the same program, function or activity in a more efficient or effective manner.

State Trust Lands

Update/amend current mineral lease contracts and rules to reflect changing conditions in establishing market value of State mineral resource production. Expansion of the State royalty in-kind program could allow more direct input by State regarding the value of its mineral commodities and result in income increases. Refine the current program to take the State's share of federal mineral royalties in-kind to effect greater income potential.

Exercise a greater field presence through coordination and site-specific reviews with the Wyoming Oil and Gas Conservation Commission and Department of Environmental Quality to reduce exposure to production related environmental/reclamation problems.

Reducing the size of oil and gas lease acreage held by production could put more acreage in the market place possibly increasing rental and bonus income and encouraging additional drilling under spacing orders pursuant to increasing royalties.

Continuing automation of reporting activities related to production, sales and royalties from all mineral commodities.

Real Estate

Develop and implement automated land information and reporting system.

Farm and Irrigation Loans

Alternative courses of action could include: Redesign the accounting system to allow more flexibility in payment, loan adjustments and repayment plans. Expand criteria for the Irrigation Loan program.

Grant and Loan Programs

An alternative course of action could include continued efforts to bring all grant and loan programs that provide infrastructure and community enhanced projects into the one-stop shopping concept for better management of State funds.

Financial Management

Increase agency oversight and coordination of the financial management responsibilities of the contract Investment Advisor, State Treasurer and the State Loan and Investment Board.

IV. Whether a program, function or activity could be implemented more effectively by another level of government or by a private entity.

State Trust Lands

Statutory mandates define the administrative duties of this program lie with the Office of State Lands and Investments. Competent personnel, well versed in mineral leasing procedures and practices and knowledgeable of petroleum and mineral valuation and accounting, staff this program. A significant amount of expertise lies with this program staff, much of it gained in building the program to date.

The Office of State Lands and Investments efficiently and effectively administers the statutorily defined duties of the Real Estate Management Division. Competent, knowledgeable personnel, whose experience and expertise in land/leasing related activities is valuable, staff the program. Experience, dedication and expertise in these areas are not easily replaced at any cost.

Forestry Programs

The philosophy of the rural fire program has provided cost effective fire management using county volunteer fire organizations. Currently there are no private firefighting organizations in Wyoming to provide fire protection.

There are no full time consulting foresters in Wyoming at the present time. Development of private forest consultants is being encouraged through the use of the Forest Stewardship Program and contracts on State lands.

Currently, there are no other governmental programs or private entities to provide services presently available through this division.

Grant and Loan Programs

The statutory administration of these programs was established under the State Loan and Investment Board. Knowledgeable personnel administer the programs, with experience regarding the programmatic details. An effective system has been implemented providing for application review and input by all State agencies with related program responsibilities. Consolidation of grant and loan programs in this Office reduce duplication, enhance customer service and provide for more efficient use of limited program monies.

Farm and Irrigation Loans

An alternative to this program would be implementation of a program similar to WCDA that would shift the program responsibilities to local banks through the State Treasurer.

Financial Management

Several pieces of legislation placed the administration of several investment analysis/financial management programs with the State Loan and Investment Board. As previously mentioned, many functions will be handled by outside consultants and bond underwriters. However, it is still necessary to have knowledgeable staff capable of coordinating and

oversighting these private entities, and to make recommendations to the Board.

V. Whether there is sufficient public benefit to justify the funding necessary for

the program, function or activity.

State Trust Lands

This program provides a professional sub-surface/surface mineral leasing and royalty collection function for over 4 million non-contiguous acres and ten major mineral commodities in Wyoming, collecting \$65.3 million in FY03 for the Common Schools and other institutions. These revenues are generated by operations very similar to a private company. This program has placed over \$204 million in the Common School Permanent Fund in just the last four years.

This program administers approximately 4,000 grazing leases, special use leases, and temporary use permits. The grazing leases, in most cases, are a vital part of the agricultural operation. Special use leases are a growing component of the compatible uses of State lands. Revenue generated from the various leasing and permitting programs during FY03 was approximately \$5.5 million.

The easement program has experienced increased demands for communication, utilities, pipelines, roads, and railroads on State land. In FY03 approximately 153 easement applications were processed which generated \$534,402 for the Permanent Land Fund. In comparison, in FY02 149 applications generated \$532,970. Development and implementation of an automated land inventory will provide the public with accurate, easily accessible data.

Forestry Programs

State land timber sales, through operations very similar to a private company, generate approximately \$500,000 annually

The rural fire program protects 29.1 million acres of State and privately owned wildlands, an estimated 9,200 ranches and farmsteads, 119,000 housing units (outside incorporated places of over 10,000 population), numerous industrial sites and other situations.

Community forestry, forest health, and private land forestry assistance provides millions of dollars in benefits to landowners and communities by establishing and maintaining rural and urban forests which increase property values and decrease home heating and cooling costs, enhance livestock survival and weight gains, and protect soil and water quality.

Grant and Loan Programs

During FY03, the Office reviewed a total of 144 Mineral Royalty Grant applications of which 60 were approved for funding totaling \$20,991,684. Seven Joint Powers Act loan applications totaling \$7,257,054 were also approved. The division provided loan servicing for 42 Clean Water State

Revolving Fund loans and 28 Drinking Water State Revolving Fund loans including disbursing \$13,724,343 in the Clean Water SRF to communities and DEQ and \$18,776,876 in the Drinking Water SRF to communities. In addition, the division reviewed, processed and presented to the State Loan and Investment Board 16 new applications for loans totaling \$33,341,417 from both the Clean Water and Drinking Water State Revolving Fund Programs, which represented 100 percent of the applications received. All of the grant and loan programs have benefited local communities throughout Wyoming.

Farm Loans

Agriculture ranks among the top three industries in Wyoming with an economic impact in excess of \$1 billion. The Farm Loan Program provides long term agricultural financing in Wyoming. During FY03 the Board approved nine new loans in the amount of \$1,084,000.

Farm loans also represent a very good investment of State funds. Currently, the interest rates on farm loans are 8% and 9%. In FY03 interest income from farm loans was \$8,968,049 and \$511,399 from irrigation loans.

Financial Management

Interest earned on State investments alone is the second largest contributor to Wyoming's General Fund. Therefore, the necessity to maximize interest earned will benefit the citizens of the State. Management of other fiscal programs will benefit the State through cost savings. Placement of investment policy oversight with the Board rather than one individual broadens the responsibility to provide the greatest return with the least risk on all State investments. The role of this Office is to coordinate all such activities.

VI. Consequences of discontinuing any program, function or activity.

State Trust Lands

The discontinuance or diminishment of this program would minimize the State's ability to monitor, audit, and/or generate additional income from mineral leasing activities.

Sound surface management is constitutionally mandated and is inherent in the ownership of 3.6 million acres of real estate. A surface leasing and permitting program is essential as long as the State retains any land surface estate.

The Wyoming Weed and Pest Control Act (W. S. 11-5-101 to 11-5-119) requires the control or eradication of noxious weeds and pests from all State land through a cooperative effort between the Office of State Lands and

Investments and the Weed and Pest Districts.

Forestry Division

Discontinuing the Wyoming Forestry Conservation Program would result in the loss of cost effective and efficient fire management on State and private lands, cost effective service to communities and counties, and eliminate job skill opportunities for Department of Correction inmates as required by State statute.

Discontinuing the State Land Forest Management and Private Land Forestry Assistance programs would result in the loss of revenue to the Trust, the ability to support private industry and provide technical assistance to landowners and communities. Discontinuing promotion and active management of State, community, and private forests will result in poor forest conditions.

Discontinuing the State Fire Assistance and Rural Fire Assistance Programs would result in the elimination of: 1) a cost effective, efficient means of providing fire management on State and private lands, 2) coordinated statewide fire management, and 3) training necessary to maintain the safety, skills and fitness of firefighters.

Real Estate

This Office provides a methodical and efficient process to exchange or sell State land without which there would be no incentive to improve land ownership patterns and management or marketing strategies. The Wyoming real estate markets, the mineral industry, and the public transportation and communication network would be unnecessarily burdened without the ability to secure easements across State land.

Grant and Loan Programs

Discontinuance of these programs would eliminate needed financial assistance to communities, school districts and require same to provide funding for projects from their own budgets or tax revenues.

Farm and Irrigation Loans

Discontinuing the farm loan program would eliminate a large source of long-term agricultural credit in Wyoming.

Financial Management

The discontinuance of this program would minimize the State's ability to monitor these state investment programs and the possible generation of additional revenue and cost savings to the State.

VII. Whether the methods, rules and policies employed by the agency to implement a program, function or activity are cost effective, efficient and consistent with law and impose a minimum of regulatory burden.

State Trust Lands

The sub-surface program function and activities are not regulatory; they are similar to revenue generating activities. This program manages assets valued in multiple millions of dollars with very limited rules, W.S. 36-6-101, and the lease contracts, and does so at a minimal expense.

The sub-surface program is returning over \$90 in revenue for every dollar invested. Operations provide: accurate information and assistance to the public and private sector; timely and accurate royalty collections for all State land mineral production.

The surface program functions and activities are not regulatory; they are similar to private sector real estate activities. This program is involved with million dollar real estate transactions at minimal expense. The rules and regulations governing sales, exchanges and easements are consistent with constitutional and statutory mandates.

Forestry Programs

Management of State land forests has annually returned revenues to the Trust. Methods, rules and policies employed by the Forestry Division to implement a program function or activity are consistent with current law and do not impose a regulatory burden.

Grant and Loan Programs

The programs provide a low cost coordinated effort to distribute funds and program costs are federally funded and sufficient for the administration of the program.

Farm Loans

The Division administers a portfolio of \$69,746,220 in outstanding farm loans and \$10,250,737 in outstanding irrigation loans with minimum resources. Administration and accounting of these programs is handled cost effectively and in accordance with law.

Financial Management

In cooperation with the State Treasurer, we hire experienced financial advisors to aid the Treasurer and Board in investment decisions. These programs are not regulatory in nature and are handled with minimal cost and in accordance with Wyoming Statutes.

Appendix B

BRIEF DESCRIPTION OF AGENCY'S PLANNING PROCESS

- Pursuant to the Director's letter dated September 1, 2003:
 - Divisions revised their objectives from those presented in the previous plan to provide more clear and accurate statements.

- Management reviewed draft revisions.
- Final revised plan was drafted and reviewed by management.

PROJECTIONS OF OUTCOMES FOR 2004-2008

1. Effective and responsible land and mineral management practices will result in a higher valued asset base and greater amounts of revenue generated.
2. The procurement and implementation of computer hardware and software complemented with staff training will result in the efficient administration and management of the lands.
3. The efforts to educate the public on the role and responsibilities of the Agency will result in the public's better understanding of all programs.
4. The continued management of State and private forest lands will assure the economic viability and sustainability of the resource, continued use and social benefit to the public, economic return to landowners and the State education funds.
5. Better education and utilization by the public of the grant and loan programs will result in strengthened State infrastructure and more communities served in the state.
6. The oversight of State investment policies, investment managers, and debt service will ensure the citizens of Wyoming that the State's fiscal operations and investments are yielding the highest return within the statutory limitations.

Appendix D

INPUT INDICATORS FOR GOALS AND OBJECTIVES

- Goals and objectives of the Board of Land Commissioners and State Loan and Investment Board
- Revenue Received
- Expenditures
- Agency Resources