



Annual Report

Management of
State School Lands
Fiscal Year 2022-2023



Note to the Reader

School Lands were granted to the State of California in 1853 by an Act of Congress (Ch. 145, 10 Stat. 244) to support public schools. These lands consisted of the 16th and 36th sections of land in each township, save lands reserved for other public purposes, lands previously conveyed, e.g., rancho lands, sovereign lands, and swamp or overflowed lands, and lands known to be mineral in character. A supplementary act in 1927 expanded the grant to include minerals (Ch. 57, 44 Stat. 1026). No federal patents to the State were required under the grant. Title to the lands was vested in the State upon approval of U.S. Township Survey Plats.

Indemnity School Lands (also known as Lieu Lands) - When a Section 16 or Section 36 was not granted to California because of an exception, the State could select replacement lands from the United States (Ch. 81, 19 Stat. 267). Each transaction involved several steps. First, the State filed a list with the federal government describing the lands lost, known as base lands. Second, the State filed a list with the federal government describing other federal lands selected in place of the base lands. When the federal government approved replacement lands, it issued the State a clear list. California's rights to the base lands were relinquished back to the federal government and title to the selected lands (Indemnity or Lieu Lands) became vested in the State. The clear list was the document of conveyance; the federal government issued no patents.

For this Annual Report, the term *school lands* is used to describe lands obtained under the 1853 Act and indemnity school lands acquired through the clear list application process.

The State Lands Commission has jurisdiction over approximately 458,843 acres of fee-owned school lands. This estimate is based on the best available mapping software, survey records, and other information in the Commission's files. Many school land parcels, however, have not been surveyed on the ground, so this total is an estimate, and its accuracy is not guaranteed.

The **Annual Staff Report on the Management of State School Lands** is prepared pursuant to Public Resources Code section 6477, which requires the State Lands Commission to report annually to the Legislature and the Governor on the management of school and indemnity lands. The report is for fiscal year July 1, 2022 through June 30, 2023.

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Executive Summary

The State Lands Commission manages roughly 458,843 acres of school lands held in fee ownership as well as the reserved mineral interests of roughly 790,000 acres of school lands where the surface estate has been sold. These are what remain of the 5.5 million acres granted by Congress in 1853. The State sold most of the original school lands during the first 130 years of statehood.

Management of the Commission's School Lands Program is divided between the Mineral Resources Management Division, the Land Management Division, and the Division of Environmental Science, Planning, and Management. The Mineral Resources Management Division is responsible for geothermal resource, solid mineral, and oil and gas leasing activities on school lands. The Land Management Division is responsible for surface leasing activities on school lands. The Division of Environmental Science, Planning, and Management is responsible for the management of forested school lands. This work is funded through the School Land Bank Fund or reimbursed by applicants before the Commission remits net revenues to the California State Teachers' Retirement Fund.

In 1984, the Legislature placed school lands into a statutory trust when it enacted the School Land Bank Act and established the School Land Bank Fund. The Commission is the trustee of the Fund. School lands and attendant interests are to be proactively managed and enhanced to provide an economic base in support of public schools. The School Land Bank Act requires the Commission to take all action necessary to fully develop school lands, indemnity interests, and attendant mineral interests into a permanent and productive resource base. Public Resources Code section 8701 emphasizes developing school lands in this manner and underscores that all transactions, including exchanges, sales, and acquisitions, should be implemented for revenue-generating purposes.

Public Resources Code section 6217.7 requires that the Commission deposit all net revenues, monies, and remittances from the sale of school lands into the State Treasury to the credit of the School Land Bank Fund. Public Resources Code section 6217.5 requires that all net revenues, monies, and remittances from school and indemnity lands (i.e., royalties, rents, and interest generated from promissory notes) are deposited into the State Treasury to the credit of the

Teachers' Retirement Fund, which benefits the California State Teachers' Retirement System (CalSTRS).

The Commission's Strategic Plan cites the need to "embrace and safeguard multi-benefit School Lands and resource management stewardship that equitably balances responsible local and regional economic development, supports living wages, environmental protection, and revenue generation."

The Commission's priorities in administering the School Lands Program are to maximize revenue to benefit CalSTRS and to protect the assets of the School Land Bank Fund, including the natural and cultural resources that they support. Net revenue transferred to CalSTRS during fiscal year 2022-23 was \$7,519,496.59.

This report includes an addendum for fiscal year 2021-2022 and provides updates to the expenditures for that fiscal year. The addendum, on page 22, includes the School Land Bank Fund expenditure and revenue information for the full 12-months of fiscal year 2021-22. The School Land Bank Fund's 12-month year-end balance for fiscal year 2021-22 is \$67,379,006,74.

The Fund's year-end balance for fiscal year 2022-23 was \$66,046,296.67. For a summary of Fund activities, see the "Financial Summary: Fiscal Year 2022-23" table on page 21.

In 2020, the Administration borrowed \$49 million from the School Land Bank Fund—bifurcated into two loans. One is a \$17 million loan to the California Earthquake Safety Fund. The other is a \$32 million loan to the General Fund. The loans are scheduled to be repaid at the end of fiscal year 2024-25. Accrued interest will be paid out of the Pooled Money Investment Account when the funds transfer back to the School Land Bank Fund. The 2020-21 State budget also sets aside \$19.6 million in School Land Bank Fund revenue as a reserve for economic uncertainties.

Mineral Resources Management Division (MRMD)

Renewable Energy

The Commission strives to maximize royalty and rent revenues while protecting the environment, advancing California's climate and renewable energy production goals, and achieving the highest levels of public safety. Staff responds to inquiries about renewable energy development and reviews and processes applications for geothermal and other renewable energy development. California's ambitious clean energy and greenhouse gas emission reduction goals, including a 2045 zero net carbon goal, are triggering growing interest in the development of domestic lithium sources. Lithium is an alkali metal used in ceramics and electronics, such as cell phones and laptops, and to produce lithium-ion batteries used in hybrid and electric cars and energy storage technologies. There is only one operational lithium mine in the United States, in Silverpeak, Nevada. The Commission is processing an application submitted by Hell's Kitchen Geothermal LLC for lithium development from geothermal operations in Imperial County.

On June 30, 2022, Governor Newsom signed SB 125 into law, creating a tax on lithium extraction on a per metric ton basis and making other statutory changes to implement Lithium Valley proposals adopted in that year's budget. Among other provisions, SB 125 appropriated funding to develop a Specific Plan and a Programmatic Environmental Impact Report (PEIR) and to distribute grants to community-based organizations to conduct engagement related to the Specific Plan and PEIR. The Specific Plan and PEIR are intended to map out and expedite the responsible development and permitting of additional power plants, mineral recovery, lithium battery manufacturing, renewable hydrogen production, and other renewable industries within an approximately 51,786-acre area adjacent to the Salton Sea. A major goal is to encourage renewable resources that provide quality local jobs, while minimizing adverse effects on the environment, protection of tribal cultural resources, and the public health of nearby disadvantaged communities and tribal nations. Staff participated in stakeholder meetings involving this project and provided feedback on the Lithium Valley Specific Plan and PEIR.

The United States Geologic Survey, geothermal operators at the Salton Sea, lithium miners, and academia are researching and conducting pilot studies to determine whether commercial extraction is feasible.

Geothermal Leases

Geothermal leasing and subsequent exploration and development for geothermal resources help achieve California's goal of increasing electrical generation from renewable sources. Most of the revenue that is generated from school lands is from geothermal production.



Figure 1: Calpine's Geysers Unit 20 power plant at The Geysers. Photo by John Grice, courtesy of the Calpine Corporation.

The Commission manages 10 geothermal leases on school lands. Nine of these are within the Geysers geothermal field in Sonoma, Lake, and Mendocino counties. The other lease, which only allows exploratory drilling, is located near the Salton Sea in the Truckhaven area of Imperial County. For fiscal year 2022-2023, geothermal royalties totaled \$5,742,258, generated entirely from the Geysers leases held by the Calpine Corporation.

Geothermal Leases at the Geysers

The Geysers, the largest energy producing geothermal field in the world, has operated commercially for over a half-century. The state leases generate more than 630 megawatts of electricity annually from roughly 28 million pounds of steam, which is enough to supply electricity for more than 600,000 homes a year. The State's 31 percent share equates to approximately 198 megawatts of electricity annually.

Steam production has been stable since the mid-1990s because of consolidating field operations and increased water injection into the reservoir. Nearby reclamation plants in Lake County and the city of Santa Rosa provide supplemental injection water to the field.



Figure 2: Calpine's Socrates Unit 18 power plant at The Geysers. Photo by John Grice, courtesy of the Calpine Corporation.

The Commission owns a 100 percent mineral interest in 7,247 acres under lease at the Geysers and a 1/16th mineral interest in another 895 acres. Most of these parcels were acquired from the U.S. Bureau of Land Management (BLM) through the indemnity selection process. Geysers Power Company LLC and CPN Wild Horse Geothermal LLC, subsidiaries of Calpine Corporation, hold these leases (Leases 4596, 4597, 5206, 6422, 7845, 7179, 8556, 8844, and 8950). Geysers Power Company LLC owns and operates 17 of the 22 electrical-generating units at the Geysers.

In February 2022, the California Energy Commission awarded GreenFire Energy Inc. a \$2.7 million grant to partner with Calpine Corporation to implement its steam dominated GreenLoop Technology to enhance production. The proposed project involves the use of Greenloop technology, a newly developed sustainable geothermal heat extraction technology that produces electrical power without extracting water from the geothermal resource. Only heat is extracted using a downhole heat exchanger, and no water is produced at the surface. If this technology proves to be successful, optimization of these conditions will allow the system to maximize the power production potential of the geothermal well and increase production and royalty. Greenfire Energy is working with the Calpine Corporation to determine the best pilot geothermal wells to test this new method of power generation, which could begin sometime in 2025.



Figure 3: Santa Rosa Geysers Recharge Project, one of two large-scale recycled water injection projects at The Geysers, delivers and distributes approximately 11 million gallons of recycled water daily. Photo by John Grice, courtesy of the Calpine Corporation.

Other Geothermal Leases and Permit Activity

The Commission manages two geothermal leases on state parcels (100 percent reserved mineral interest and fee land) located at Truckhaven in Imperial County. The Commission is processing one geothermal lease application in Imperial County and one geothermal prospecting permit application in Inyo County.

- In October 2020, the Commission issued two 5-year leases to ORNI 5 LLC, Lease 9643 and Lease 9644 (subsurface only), authorizing drilling up to 10 geothermal wells, four of which would be located on state-owned school lands in the Truckhaven Region.
- In 2022, Hell's Kitchen Geothermal LLC applied for a geothermal and mineral extraction lease near the southeastern shore of the Salton Sea in Imperial County. The lease application is under review.
 - The Commission is authorized to issue non-surface occupancy leases for lands managed by the California Department of Fish and Wildlife with their written consent. The Hell's Kitchen Geothermal LLC lease application proposes drilling production wells into the subsurface from neighboring privately held leases. The Hell's Kitchen Geothermal Project, a 1,100 MW geothermal project, is near the end of the permitting phase. Imperial County, the CEQA lead agency, is preparing an Environmental Impact Report for the project. The Commission expects to consider the lease application in mid-2024.
- Deep Rose Geothermal LLC applied for a 2-year geothermal prospecting permit to explore for geothermal resources in Inyo County. The application proposes drilling and testing up to four exploratory geothermal wells. The project is pending environmental review, and the Commission expects to consider the application in early 2024 subject to CEQA review.

Mineral Extraction Leases and Permits

The Commission manages five mineral extraction leases totaling 1,116 acres of school land. These include four solid mineral extraction leases for aggregate and one precious metal lease. The mineral leases, described in more detail below, generated \$1,212,761.



Figure 4: Vigilante Aggregate Quarry.

Lease 7301, known as the Vigilante Quarry, is in San Diego County near the city of Lakeside. This lease, which is the Commission's most significant solid mineral revenue generator, generated \$1,003,961 in revenue. The lessee estimates that the mine has approximately 11 years of remaining economic production. The Commission issued a new 10-year lease that began on September 1, 2022, for continued mining activities.



Figure 5: Hi-Grade Aggregate Quarry.

Lease 8831, which is for an aggregate quarry, is located near Hesperia in San Bernardino County. This lease generated \$127,790. The lessee, Hi-Grade, plans to mine aggregate for the next three decades. The above photo is looking southwest at the southern edge of quarry, with the San Bernardino Mountains in the background. The Commission issued a new 7-year lease that began on July 1, 2023.



Figure 6: Vulcan Aggregate Quarry and Storage Site.

Lease 8253, known as the Vulcan lease, suspended mining operations in 2016. Vulcan Lands, the lessee, has stockpiled various sized aggregate that sells periodically as marketing opportunities arise. The quarry serves the greater Victorville/Barstow area in San Bernardino County. The sales did not exceed the lessee's minimum annual royalty of \$78,000.



Figure 7: San Bernardino Aggregate Quarry.

Lease 9451 was issued in 2018, following San Bernardino County's purchase of the surface land from Granite Construction. The Commission approved the mineral extraction Lease to San Bernardino County for an idle aggregate quarry located near Ludlow. The County periodically extracts aggregate for public use, such as road maintenance on the historic Route 66, and sells aggregate to the California Department of Transportation to widen or maintain Interstate 40. The lease produced \$432 in royalty.



Figure 8: Western Mesquite Gold mine pit & excavator.

Lease 8039, known as the Western Mesquite Mine, is composed of the northern portion of the Mesquite property and is within a larger gold mine in Imperial County east of the city of El Centro. There has not been any active gold mining on the 658-acre parcel since 2014, but the Commission receives a royalty from previously mined monthly gold sales, including \$2,576.85 this past year. During mining operations, the ore was compiled on a heap leach pad, which is a large accumulation of gold ore. Since the lease area is not being actively mined, the Commission's gold ounce percentage on the heap leach pad diminishes annually. The Commission issued a new 10-year lease that began on October 1, 2022. The lessee will be required to pay a \$5,000 minimum annual royalty until the lessee resumes mining activity.

Abandoned Mines

The Commission inventories and remediates abandoned mine features on school lands that may threaten public health and safety, pose dangers to wildlife, or present liability risk to the State. The Commission collaborates with other governmental entities, contractors, environmental organizations, and the public, and provides information about the physical and chemical hazards and

latest remediation techniques used to safeguard abandoned mines. The Commission also coordinates with others to remediate abandoned mine features on school lands. An ArcGIS study performed by Commission staff found that there are 100 school land parcels possessing one or more abandoned mine features that may pose a hazard. The Commission uses various remediation techniques depending on the attributes of the individual mine features, including posting warning signs and installing fences, bat gates, cupolas, and foam plugs. The Commission's remediation work is conducted in close collaboration with the Department of Conservation's Division of Mine Reclamation.

The Commission has remediated roughly three-fourths of the 100 parcels with hazards. Those remaining either pose a lower risk or are in remote locations that are difficult to access. As remediations decrease, staff plans to implement a more intensive inspection program to mitigate vandalism. Examples of previously observed vandalism include a breach of steel structures limiting access to the mines and theft, or destruction, of warning signs.

Abandoned Mine Lands Remediation Status

To date, the Commission has remediated 71 parcels, partially remediated six parcels, and identified six parcels located in remote areas with known heavy metal content. Seventeen other parcels have not yet been inspected.

Oil & Gas

Royalty revenue from oil and gas production totaled \$902,713, most of which is from the Round Mountain Parcel, a 160-acre parcel northeast of Bakersfield in Kern County in which the State retains a 1/16th mineral interest. Macpherson Oil Company operates this unit agreement, which produced \$901,212 in revenue. The State is paid for its 1/16th mineral reserves, which amounts to roughly 0.6 percent of the unit royalty. The remaining \$1,501 in revenue is from the 7-acre Sulfur Crest parcel in the Ojai Oil Field in Ventura County operated by Termo Oil Company. The Sulfur Crest parcel is also a 1/16th mineral reservation.

Land Management Division - Surface Land Management

The Land Management Division manages surface activities on school lands, including land exchanges, the sale of school land parcels, land acquisitions to enhance the resource base, and administering leases for renewable energy production, agriculture, grazing, and rights-of-way for roads, pipelines, and electrical transmission lines. The objectives are to generate revenue to benefit the Teachers' Retirement Fund, assure the ongoing viability of state resources, protect the assets of the school land trust, enhance local economic development, and protect the environment.

The Land Management Division manages 134 school land leases, which includes 89 right-of-way leases on 993 acres, 15 agricultural and grazing leases on 15,544 acres, four Industrial leases on 920 acres, and 10 public agency/other types of leases on 14,413 acres. The Commission acted on nine school lands lease applications and other land management activities this past fiscal year. The Commission also received six applications that are being processed for consideration at future meetings.

The Commission's surface lease program involves processing applications for new leases, processing lease assignments and amendments, conducting rent reviews, terminating old leases, and conducting other surface management activities. Most school lands are isolated landlocked parcels, many of which are non-revenue generating desert lands and lands inside national forests and parks or federal wilderness areas.

State Teachers' Retirement Fund Revenues

Surface Rental Revenues

The Commission has over one hundred revenue-generating surface leases on school lands. Revenues deposited into the Teachers' Retirement Fund from these leases totaled \$473,117.

School Land Bank Fund – Revenues and Expenses

Accrued Interest on the School Land Bank Fund

The Surplus Money Investment Account generated a total of \$389,743.87 in interest for the School Land Bank Fund. The accrued interest in this period is substantially lower than the accrued interest in previous years (\$1,267,280 in fiscal year 2019-20). This is because interest on the \$49 million the state borrowed is accruing separately and will be included when the loan is repaid.

Expenses Charged to the School Land Bank Fund

Expenses charged during the fiscal year totaled \$1,120,000. Of this amount, \$231,541.89 was charged to the Mineral Resources Management Division and \$589,452.14 was charged to the Land Management Division. Overhead and distributed charges totaled \$299,005.97. These expenses were for staff time and include activities associated with developing and managing school lands.

Other School Land Bank Fund Activities

Renewable Energy

Staff expects more interest in the long-term leasing of school lands for renewable energy projects in the coming years. Projects may involve using wind as an energy source and may require the installation and operation of wind turbines to generate electricity. Other renewable energy projects proposed on school lands involve solar technology, such as photovoltaic cells, solar-concentrating systems, and battery energy storage systems to store electricity in batteries for sale at a later time.

Wind Energy

In April 2023, Johnson Valley Wind, LLC applied for a 150-megawatt renewable wind energy project located on 2,658 acres of school land in San Bernardino County. Commission staff is processing the application and anticipates bringing a lease to the Commission for consideration in late 2024 or early 2025.

Solar Energy

In August 2020, the Commission authorized its first solar energy project on school lands when it authorized Lease 9637 to BigBeau Solar, LLC. EDF Renewables, Inc, the project sponsor, is constructing up to 17 megawatts of renewable electrical energy on 120 acres in Kern County, west of Mojave. Current annual base rent

for this lease is \$49,502. When fully built out, the rent from electricity generated by BigBeau Solar LLC is estimated to be more than \$90,000 annually.

In February 2023, the Commission authorized its second solar project on school lands when it issued Lease 9726 to Windhub Solar B, LLC. Once constructed, the project is expected to produce up to 20 megawatts of renewable electrical energy and up to 160 megawatt-hours of battery energy storage on 160 acres in Kern County. Annual base rent for this lease is \$69,000. When fully built out, the rent from electricity generated by Windhub Solar B, LLC is estimated to be nearly \$110,000 annually.



Figure9. Beacon Point Solar Panel Array in Barstow, California. Photo courtesy of Los Angeles Department of Water and Power/photographer Chris Corsmeier.

Staff continues to process one other application for solar energy. The proposed Stagecoach Solar project located in San Bernardino County would span roughly 1,950 acres of school lands and generate up to 200 megawatts of renewable electrical energy. Stagecoach Solar has completed preliminary environmental surveys and the Commission published a Draft Environmental Impact Report in October 2021. The applicant, however, has put the Project on hold indefinitely due to financial uncertainty and obstacles facing the solar industry.

Potential School Land Bank Fund Revenue and Activities in 2024

Forested Lands Inventory and Management

There are roughly 55,000 acres of forest land on school land parcels. The Commission has not had a forester to manage these forests since the late 1990s. Since that time, little, if any, forest management has occurred on school land parcels. Management of these forested lands provides many potentially beneficial uses, including income generated through timber management, conservation of wildlife habitat, and climate change mitigation through forest growth and carbon sequestration. The management of school lands forests is also necessary to comply with California's Forest Carbon Plan and improve the health and resiliency of forested lands.

In September 2022, the Commission hired a forester to manage its school land forests. The first step to properly manage these forests is to conduct an inventory. A forest inventory is a data collection process that provides information about forest characteristics, such as species present, size, density (i.e., tree spacing), health, mortality, seedling survival, and tree growth rates. A forest inventory provides information that can support informed decisions and set priorities for forest management.

Commission staff sought and found publicly available data that could provide information about current forest conditions. This includes data from the USDA Forest Service that provided information about school land forested areas. The compilation of this data is complete and is being analyzed. This analysis will identify forested areas for further evaluation. Commission staff plan to conduct an inventory by collecting data using procedures specific to school lands parcels, which could include sending a contract crew to parcels to conduct field measurements.

Commission staff are in discussions with a software company called ESRI to assist with the development of a forestry data collection and repository system for forested school lands. In August 2023, the Commission awarded a contract to Ascent Environmental, Inc. to assist with forestry projects. The projects could include contracts for reforestation efforts, wildlife surveys, forest infrastructure assessments and improvements, and preparation of California Environmental

Quality Act documents and timber harvesting plans. Access to many school lands parcels will be challenging because many parcels are land-locked and may require access agreements with adjacent property owners. Commission staff are conducting outreach to adjacent property owners to foster cooperation and coordination and enable access to school land parcels.

Commission staff is coordinating with the Trinity County Resource Conservation District to reduce forest fuels on a school land parcel near the Town of Weaverville in Trinity County and working with CAL FIRE to potentially conduct fuel reduction projects on school lands in Tehama and Shasta Counties. Commission staff is also coordinating with the Truckee Fire Protection District to evaluate fuel reduction treatments on a school land parcel near the town of Truckee.

Proposed Sale of Land in Barstow to Barstow Spanish Trail, LLC

In 2013, Commission staff learned that the federal Bureau of Land Management (BLM) intended to declare certain federal lands in the city of Barstow as surplus and available for disposition. The lands, totaling roughly 43.75 acres, are included in the *Spanish Trail Specific Plan*, a joint commercial development between the city of Barstow and Barstow Spanish Trail, LLC, a commercial real estate developer.

Under the federal California Desert Protection Act, the State, acting by and through the Commission, has the right of first refusal on lands declared surplus within the covered area and has the right to file an indemnity lands application with BLM to acquire the surplus lands if it chooses. Because of the high potential for commercial use of these lands, Commission staff filed an indemnity application with the BLM in 2015. The Commission approved the acquisition later

that year with Barstow Spanish Trail, LLC. In exchange for the BLM lands, the applicant submitted the rights to 320 acres of base lands¹ in Imperial County.

In 2017, Barstow Spanish Trail, LLC applied to purchase those 320 acres in Imperial County, together with two other nearby school land parcels. The application included lands totaling 63.3 gross acres. In 2017, the Commission approved the sale for \$4,538,200. Since then, the Commission has issued annual extensions of the sales contract with non-refundable deposits. In total, \$185,112 has been deposited into the School Land Bank Fund. The current extension expires on June 30, 2024

Staff anticipates an exchange of easements with the California Department of Transportation in 2024 to perfect title on the proposed development site and allow the developer to proceed. Staff also anticipates completing the purchase with Barstow Spanish Trail, LLC in 2024.

School Land Bank Fund Investment Report

Staff is developing a plan to invest School Land Bank Fund monies in California real estate, with the goal of acquiring new revenue-generating properties for the Fund. In 2022, Aginvest International submitted an [investment strategy](#) report to the Commission to help guide this process.

The investment strategy report is intended to help staff identify, evaluate, and compare land investment options in California and the short and long-term benefits and risks associated with each type of investment option. In addition to an in-depth discussion of s real estate investment types, the report includes a rating system of qualifying factors to assist in ranking the suitability of each land

¹ The term “base lands” refers to the debt in real property still owed to the State under the Act of 1853 and subsequent legislation. (For more information on the indemnity selection process, please see “**Note to the Reader**” prior to the Table of Contents at the beginning of this report.) In the case of this indemnity selection, the base lands used accrued to the State due to a loss from a fractional township. In effect, the only thing given up by the Commission was a property right, and not actual physical real estate.

investment proposed for acquisition and compare competing properties. [AB 1390 \(Boerner-Horvath\)](#) Chapter 715, Statutes of 2021, provides the Commission with additional tools to facilitate real estate investments and grow the School Land Bank Fund, including the ability to make a non-refundable down payment toward an acquisition of real property.

U.S. Bureau of Land Management California Desert Protection Act Land Exchange

In 1994, the California Desert Protection Act was signed into law, designating 3.6 million acres in Southern California as federal wilderness and four million acres in Southern California for inclusion in the national park system. Five exchanges were completed during the 1990s. Completion of a sixth exchange has been delayed after the federal General Accountability Office issued a report questioning the procedures followed by BLM in the exchange process. The future of this exchange is uncertain until these legal issues are resolved.

Financial Summary: Fiscal Year 2022-2023

CalSTRS Fund

Revenues and Expenses

Revenues:

Surface (LMD)	\$559,986.79
Surface (MRMD)	\$221,496.52
Geothermal (MRMD)	\$5,742,258.03
Solid minerals (MRMD)	\$1,212,761.29
Oil and gas (MRMD)	\$902,713.22
Miscellaneous	\$280.74

Total Revenues: **\$8,639,496.59**

Expenses:

Mineral Resources Management	\$589,452.14
Land Management	\$231,541.89
Overhead/Distributed	\$299,005.97

Total Expenses: **\$1,120,000.00**

Net Revenue to CalSTRS Fund: **\$7,519,496.59**

School Land Bank Fund

Balance as of July 1, 2022	\$67,379,006.74
Revenues from Land Sales	\$ 0.00
Surplus Money Investment Fund Interest Earned	\$389,743.87
Less: Expenses	\$<1,722,453.94>
Fund Balance as of June 30, 2023	\$66,046,296.67

Addendum to the 2021-2022 Annual Report on the Management of School Lands

This addendum includes School Land Bank Fund expenditure revisions for the 2021-2022 fiscal year. The final expenditures for the 2021-2022 fiscal year were revised by \$13,893.55, bringing the total School Land Bank Fund expenditures to \$1,402,728.57.

Revised School Land Bank Fund Balance for 2021-2022 fiscal year.

School Land Bank Fund Balance as of July 1, 2021	\$68,710,756.29
Revenues from Land Sales	\$0.00
Interest Earned in Fiscal Year 2021-2022	\$70,979.02
Less: Expenses	\$<1,402,728.57>
Balance of Fund as of June 30, 2022	\$67,379,006.74

Addendum

Status of School Land Consolidation Efforts in the California Desert:

As with the last several years' reporting, there are no new activities to report because no land consolidation efforts or exchanges related to the Desert Renewable Energy Conservation Plan (DRECP) Land Use Plan Amendment (LUPA) as envisioned by the School Land Bank Act have occurred. BLM has not proceeded with a DRECP LUPA amendment or provided updated information on this process since 2018.

Commission staff believes the federal parcels identified during the Commission- BLM Phase 1 effort (described below) may still be considered for acquisition using another mechanism, such as the indemnity selection process. Staff will continue to research these alternatives.

In the 2019-2020 report, the Commission noted that the BLM California office published a notice with the Federal Register on February 2, 2018, stating its intent to amend the DRECP and its associated LUPA. But other than issuing the notice and convening several public scoping meetings, BLM has not proceeded with any further actions to amend the DRECP LUPA, and that effort appears to have been abandoned.

As background, in September 2011, the Commission executed a memorandum of understanding with the four agencies comprising the Renewable Energy Action Team (REAT) expressing the agencies' intent to coordinate and cooperate on development of the DRECP in the Mojave and Colorado Desert regions. In 2016, BLM signed a Record of Decision on the DRECP's Land Use Plan Amendment, which covered the 10 million acres of BLM-managed lands in the DRECP plan area and marked the completion of Phase 1. The goal of the DRECP is to provide for effective protection and conservation of desert ecosystems while allowing for the appropriate development of renewable energy projects. In addition to the REAT agencies and the Commission, the planning process involved the California Public Utilities Commission, California Department of Parks and Recreation, National Parks Service, and the Department of Defense, as well as interested stakeholders, including cities,

counties, Tribes, industry, utilities, and non-governmental environmental organizations.

Most of the over 340,000 acres of school land under the jurisdiction of the Commission in the California desert are fragmented and isolated, and the size of each parcel alone is insufficient for the development of renewable energy projects. Significant portions of these parcels are located within national parks, preserves, monuments, and forests. Although these lands retain significant conservation value, their location and physical characteristics limit development potential. Through the [School Land Bank Act](#), the Legislature sought to help resolve this issue by requiring the Commission to work cooperatively with the Department of the Interior, through the BLM, to consolidate the Commission's landholdings in the California desert to make large-scale renewable energy development feasible.

Generally, the Commission's objective in participating in the development of the DRECP was to ensure that the goals for renewable energy and environmental protection are accomplished in a manner that is consistent with and advances the statutory and fiduciary responsibilities for management of school lands in the California desert. Pursuant to Chapter 485, the Commission and BLM California entered into a Memorandum of Agreement that set forth the objectives and commitments of the Commission and BLM, including information sharing, minerals evaluation and appraisal, streamlining of the land exchange process, and commitments to prioritize completion of exchanges. Commission staff engaged with the BLM, California Department of Fish and Wildlife, and other state and federal agencies to develop a Phase 1 land exchange proposal, agreed on in 2015, and consisting of approximately 5,600 acres of BLM owned lands and approximately 61,000 acres of school lands (based on estimated comparative land values for the identified parcels). The BLM lands include parcels with a high potential for large-scale renewable energy development, including an area with an operating solar facility. The school lands consist of scattered inholdings located within BLM wilderness area and lands proposed for national conservation landscape designations under the DRECP.

In 2016, then-Interior Secretary Sally Jewell and then-Governor Jerry Brown executed a Memorandum of Understanding regarding renewable energy in California which, among other provisions, directed the State and the

Department of the Interior to continue to maintain the Renewable Energy Action Team, prioritize processing applications for renewable energy development in areas that are consistent with the DRECP, and complete the Phase 1 land exchange proposal by December 2018. The Phase I land exchange, however, was not completed by this date owing to shifting priorities of the federal administration at that time.