Oregon
Tina Kotek, Governor

Department of State Lands
775 Summer Street NE, Suite 100
Salem, OR 97301-1279
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www.oregon.gov/dsl

State Land Board

Tina Kotek
Governor

LaVonne Griffin-Valade
Secretary of State

Tobias Read
State Treasurer

State Land Board

February 13, 2024
10:00 am – 1:00 pm
Meeting Agenda

Public Wi-Fi logon: LandsDSL

*This is a hybrid meeting that can be attended in-person at **775 Summer St. NE, Suite 100, Salem, OR 97301-1279** or online through the Department of State Lands' livestream video:* *www.youtube.com/@oregonstatelands*

CONSENT ITEMS

1. Request for approval of the minutes of the December 12, 2023, State Land Board Meeting

ACTION ITEMS

2. Request for approval to permanently adopt OAR 141-088-0036, Restrictions for State-Owned Property at the Sandy River Delta in Multnomah County.
   Public testimony will be accepted on this item.

3. Request for approval of the creation of 1.03 acres of New Lands by filling a portion of the State's ownership within the Columbia River for the rehabilitation of the Port of Astoria's Pier 2 West.
   Public testimony will be accepted on this item.

4. Request for authorization to proceed with drafting legislative concepts to be submitted to the Department of Administrative Services (DAS) for the 2025 Legislative Session.
   Public testimony will be accepted on this item.

Continued on the next page

INFORMATIONAL ITEMS

5. Annual Common School Fund Audit Report
   No public testimony will be taken on this item.

6. Oregon Department of Forestry Annual Report on Common School Forest Lands
   No public testimony will be taken on this item.

7. Real Property Program Annual Report
   No public testimony will be taken on this item.

8. Elliott State Research Forest Update
   No public testimony will be taken on this item.

WATCH THE MEETING ONLINE

Meeting video and audio will be livestreamed, and the recording available after the meeting, on the DSL YouTube Channel: www.youtube.com/@oregonstatelands

ATTEND IN-PERSON

This meeting will be held in a facility that is accessible for persons with disabilities. If you need assistance to participate in this meeting due to a disability, please notify Arin Smith at arin.n.smith@dsl.oregon.gov at least two working days prior to the meeting.

Visitors are **NOT permitted to bring backpacks, bags, or large purses** into the State Lands building prior to, during, or following Land Board meetings. Purses, medical bags, and diaper bags are permitted, but may be subject to inspection by the Oregon State Police.

PROVIDE PUBLIC TESTIMONY

The State Land Board places great value on information received from the public. The public may provide written or spoken (online or in-person) testimony regarding consent and action agenda items, time permitting and at the discretion of the Chair.

- **Providing Written Testimony:** Testimony received by 10 a.m. on the Monday before the meeting will be provided to the Land Board in advance and posted on the meeting website. Submit your input in writing to: landboard.testimony@dsl.oregon.gov. Testimony received after this deadline may not be provided to the Land Board prior to a vote. Please indicate the agenda item your testimony relates to.
- **Providing Spoken Testimony by Video/Phone or In Person:** Advanced sign-up is required for the public to provide spoken testimony (in-person or by Zoom). The sign-up deadline is 10 a.m. the day before the meeting.
  Please note: When the number of people interested in speaking exceeds the time allotted for an agenda item, speakers are randomly selected for testimony slots to ensure all have an equal opportunity to testify. Speakers have the same chance of being randomly selected whether they plan to testify in person or by Zoom. The testimony order will be posted to the State Land Board Meetings webpage the day before the meeting, and everyone who signed up to testify will be notified of the testimony order via email. Be aware there may not be time for everyone who signs up to speak.

Additional Testimony Information

- Testimony on action items is taken during the item's presentation, before the Land Board votes. Please review the meeting agenda and be present and prepared to provide testimony at the appropriate time.
- The Board typically accepts testimony on consent and action items only.
- The standard time limit is three minutes for each individual; the actual time available for testimony during Land Board meetings is at the discretion of the Chair.
- The Board may not be able to accept testimony on items for which a formal comment period has closed, such as a rulemaking comment period. The meeting agenda indicates whether testimony will be accepted on an item.

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State Land Board

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The State Land Board (Land Board or Board) met in regular session on December 12, 2023, in the Land Board Room at the Department of State Lands (DSL), 775 Summer Street NE, Salem, Oregon. The meeting audio and video was livestreamed on the DSL YouTube channel.

Present were:

Tina Kotek	Governor
Tobias Read	State Treasurer
LaVonne Griffin-Valade	Secretary of State

Land Board Assistants

Geoff Huntington	Governor's Office
Jessica Ventura	Secretary of State's Office
Jessica Howell	State Treasurer's Office

Department Staff

Vicki Walker	Bill Ryan	Katrina Scotto di Carlo	Ted Bright
Arin Smith	Jean Straight	Ali Ryan Hansen	Linda Safina-Massey
Bree Yednock	Brett Brownscombe		

Department of Justice
Matt DeVore

Governor Kotek called the meeting to order at 10:00 a.m. The topics discussed and the results of those discussions are listed below. To view the Land Board (Board) meeting in its entirety, please visit our YouTube page: December 12, 2023 Land Board Meeting

Consent Items

1. **Minutes**

   Treasurer Read made a motion to approve the minutes for the October 10, 2023, Land Board meeting.
   Secretary Griffin-Valade seconded the motion.
   The item was approved at 10:01 a.m. without objection.

Action Items

2. The Department of State Lands requests that the Land Board authorize the Reserve, through the Department of State Lands' Real Property staff, to complete due diligence reports in support of a potential land trade at the entrance to the South Slough Reserve Visitor Center.

Director Walker introduced Dr. Bree Yednock (appearing virtually), Manager of the South Slough Reserve, to present the item.

Dr. Yednock provided background information and explained the Department recommendation.

Treasurer Read made a motion to approve the action item.
Secretary Griffin-Valade seconded the motion.
The item was approved at 10:08 a.m. without objection.

3. The Department of State Lands requests approval to initiate due diligence for the sale of 80 acres of forestland in Coos County from the Common School Fund trust land property to South Slough National Estuarine Research Reserve County.

Director Walker again asked Dr. Bree Yednock to present the item.

Dr. Yednock provided background information and Director Walker explained the Department recommendation.

Treasurer Read made a motion to approve the action item.
Secretary Griffin-Valade seconded the motion.

Governor Kotek highlighted the value of partnerships with groups such as the Wild Rivers Land Trust.

The item was approved at 10:15 a.m. without objection.

4. State Land Board appointment of five voting members to the Oregon Ocean Science Trust (OOST).

Director Walker introduced Deputy Director Jean Straight to present the item.

Deputy Director Straight provided background information about the OOST and brief bios for each appointee.

The Department recommends the State Land Board appoint the following new members to the Oregon Ocean Science Trust with 3-year terms to begin on January 1, 2024, and end on December 31, 2026:

1. Cristen Don, Director Coastal Quest (South Beach, OR)

2. Dr. Keith Wolf, U.S. Department of Commerce, NOAA Fisheries, Oregon Washington Coastal Office (Portland, OR)
3. Ted DeWitt, Retired, Environmental Protection Agency (Seal Rock, OR)

The Department recommends the State Land Board reappoint the following current members to the Trust whose terms end on December 31, 2023. The reappointment is a 4-year term beginning on January 1, 2024, and ending December 31, 2027:

4. Laura Anderson, Owner, Local Ocean Seafood and former Commissioner, Oregon Fish and Wildlife Commission (Newport, OR) –
5. Dr. Karina Nielsen Director, Oregon Sea Grant (Corvallis, OR)

The Board made comments about the OOST and thanked them for their work.

Treasurer Read made a motion to approve the action item.
Secretary Griffin-Valade seconded the motion.
The item was approved at 10:25 a.m. without objection.

Informational Item

5. ARM Annual Report

Director Walker invited Deputy Director Bill Ryan to the table to present the report.

Deputy Director Bill Ryan reviewed highlights of the annual report which provides summary information regarding the management of state-owned waterways for the 2023 Fiscal Year and fulfills the annual report requirements in the state's removal-fill law ORS 196-885.

Director Walker spoke about the increased workload and staff burnout. A recent organizational assessment will help to identify short and long-term solutions to these challenges.

Governor Kotek expressed her appreciation to those working in the field and providing excellent customer service with limited resources.

Treasurer Read asked for additional information regarding the updates to the removal-fill fee structure to protect the Common School Fund.

Director Walker said that the goal is to increase the fees and hire additional staff.

Deputy Director Ryan added that an analysis is under way to figure out ways to increase staff capacity and create a fee structure that supports that capacity.

Secretary Griffin-Valade asked what an Emergency Authorization is, as referenced in the report. Deputy Director Ryan explained that an emergency authorization is the ability through statute to authorize the minimum amount of work necessary to alleviate the immediate threat to property and health.

Deputy Director Ryan continued to present the report, concluding his presentation at 10:58 a.m.

6. **Elliott State Research Forest**
10:58 a.m.

Director Walker introduced Brett Brownscombe, Elliott State Forest Transition Director, to assist in presenting the item.

Director Walker reviewed the cornerstone principles for the Elliott.

- Public oversight
- Financial obligations
- Protecting species and habitat
- Multiple forest benefits
- Research

Treasurer Read asked about the correlation between “working forest research” and “meaningful scientific research.”

Director Walker stated that the Elliott is meant to be a working forest to provide for the economy and local community, and to provide an opportunity for scientific research as to how to manage a forest of this size.

Governor Kotek thanked OSU for their involvement up to this point and is confident that although they have made the choice that they will not be managing the forest, they will still be a partner from the science end of this. She stated that these principles have shaped where we are today, and we just need to figure out how to continue to meet them.

Director Walker took a moment to acknowledge a letter received from the Confederated Tribes of Coos Lower Umpqua and Siuslaw Indians (CTCLUSI) regarding the forest. She stated that Tribal engagement continues to be an important part of the path forward.

Director Walker continued the presentation by reviewing the key actions for the pathway to the Elliott State Research Forest.

- Implement management structure
- Establish oversight structure
- Finalize viable budget
- Finalize forest management plan
- Complete habitat conservation plan (HCP)
- Explore research partnerships

11:28 a.m.
Treasurer Read commented that he doesn’t see a reason for a big change in direction. Secretary Griffin-Valade agreed.

Governor Kotek stated that financial viability is really important, and that the HCP needs to be completed. The forest needs to be self-sustaining, either by timber harvest or a carbon project.

11:42 a.m.
Brett added that we need clear direction from the Board as to their preference on how to move forward with the HCP and asked them to confirm that in lieu of pursuing a higher timber harvest, the path forward for the HCP would be to embed a carbon project.

Treasurer Read stated that he would agree with that statement but would like more information on what the carbon project will look like.

11:48 a.m.
Treasurer Read asked if the revisions that are necessary will delay us in receiving approval of the HCP.

Brett responded that we should be able maintain the schedule and expect issuance of federal incidental take permits tied to the HCP later in 2024.

The Board expressed their support of the plan moving forward.

The meeting was adjourned at 12:03 p.m.

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Tina Kotek, Governor

____
Vicki L. Walker, Director

Oregon
Tina Kotek, Governor

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State Land Board

Regular Meeting
February 13, 2024
Agenda Item 2

SUBJECT

Request for approval to permanently adopt OAR 141-088-0036, Restrictions for State-Owned Property at the Sandy River Delta in Multnomah County. This rule would enact public use restrictions on Oregon-owned lands, including islands, in the Sandy River Delta from the mouth of the Sandy River to the I-84 bridge crossing, including the Columbia River side channel.

ISSUE

Whether the State Land Board should approve restrictions on the use of vehicles, the discharge of firearms, and the authority to temporarily prohibit, from the Sandy River Delta, individuals who violate these restrictions or those who commit criminal acts within the Sandy River Delta.

AUTHORITY

Oregon Constitution, Article VIII, Section 5, specifies that the State Land Board is responsible for managing lands placed under their jurisdiction by law.

ORS 273.041 to 273.071; authorizing the Department of State Lands to exercise the administrative functions of the State Land Board; relating to the general powers and duties of department and board.

ORS 274.025; describes state jurisdiction over submersible and submerged lands generally.

OAR 141-088-0000; relating to the purpose and applicability of public recreational use of state-owned property.

OAR 141-088-0004; relating to restriction of uses of state-owned lands that pose a significant risk of harm or damage to the natural resources of the land or the public.

BACKGROUND

The Department of State Lands (the Department) oversees the beds and banks of the Sandy River, as well as approximately 50 acres of natural area adjacent to the Sandy River Delta, a 1,500-acre U.S. Forest Service natural area extensively used for recreation.

For more than a decade, this area has been used for long-term camping by people experiencing unsheltered homelessness. The Department works with the U.S. Forest Service, the Multnomah County Sheriff's Office Homeless Outreach and Programs Engagement (HOPE) Team, Metro regional government, and other partners to reduce impacts of long-term camping, with an emphasis on connecting people with services and housing.

On August 1, 2023, the Department enacted emergency restrictions on the use of vehicles and firearms on Oregon-owned lands at Sandy River Delta to address the health, safety, and environmental hazards created by driving vehicles and discharging firearms in the natural area. On August 8, 2023, the State Land Board authorized the Department to initiate permanent rulemaking to restrict use of vehicles and discharge of firearms on Oregon-owned lands at the Sandy River Delta.

The purpose of the rulemaking effort was to address increased reports of vehicles being driven and parked on Oregon-owned lands, and the illegal discharge of firearms. These activities are concerning because they pose safety and health risks to people accessing and recreating in the natural area, as well as those living nearby.

PUBLIC INVOLVEMENT

The Department took into consideration public comment, input from the RAC, and input from other local and state agencies, and affected stakeholders during this rulemaking process.

Rulemaking Advisory Committee (RAC)

A hybrid RAC meeting was convened on October 2, 2023, in Troutdale, Oregon and online. RAC members provided input on the proposed rules, development of a notice of proposed rulemaking, an evaluation of the proposed rule's fiscal impact, and how the proposed rule will affect racial equity in the state.

Members of the RAC include:

- Barbara Adams, Friends of the Sandy River Delta; Oregon Equestrian Trails
- Doug Asboe, Multnomah County Sherrif's Office, HOPE Team
- Stephen Elgart, U.S. Forest Service
- Jared Friend, Hillsboro Heli Academy

- David Keiter, Oregon Department of Fish and Wildlife
- Jeff Schuh, Friends of the Sandy River Delta
- Stephanie Rawson, Waste Prevention and Environmental Services, METRO
- Ray Young, City of Troutdale

These individuals represented a diverse set of stakeholder interest groups, including local and regional governments, state and federal agencies, law enforcement agencies, recreational users, and other affected stakeholders.

Significant outcomes of that process included: adding hunting to the list of exemptions and clarifying that individuals appealing a prohibition shall follow the contested case process, as outlined in ORS 183.413 through 183.470.

Public Review and Comment Period

After the RAC reviewed and approved the impact statements and rule language, a Notice of Proposed Rulemaking was filed with the Secretary of State's office on October 19, 2023. The public review and comment period was held from November 1, 2023, to November 30, 2023, with a hybrid public hearing held virtually via Zoom and in-person at the City of Troutdale on November 15, 2023.

The Department issued a news release to Oregon media and emailed a public notice to inform interested parties and stakeholders of the public review and comment opportunity. The Department also notified Senate President Wagner, House Speaker Rayfield, Senator Bonham, Senator Gorsek, Representative Helfich, and Representative Hudson of the proposed rulemaking. All information (statements, draft rules, RAC meeting recordings and summaries) was posted to the DSL website: https://www.oregon.gov/dsl/Laws/Pages/Rulemaking.aspx.

In total, the Department received nine (9) comments; comments received are in Appendix C. Most comments received by the Department supported the proposed rule. Concerns were raised by the public regarding vehicle access for regular trail improvement work conducted by Oregon Equestrian Trails and using Oregon-owned lands for target practice. The Department's response for each comment can be found in Appendix C.

RECOMMENDATION

The Department recommends that the Land Board adopt the proposed rulemaking, OAR 141-088-0036, to establish restrictions on the use of vehicles and discharge of firearms, and the authority to temporarily prohibit, from the Sandy River Delta, individuals who violate these restrictions or who commit criminal acts within the Sandy River Delta.

APPENDICES

A. Final Rules
B. Notice of Proposed Rulemaking including the Statement of Need and Fiscal Impact and Draft Rules
C. Public Comments and DSL Responses
D. Map of Proposed Restricted Area

141-088-0036
Restrictions for State-Owned Property at the Sandy River Delta in Multnomah County

(1) All state-owned land that is under the jurisdiction of the Department, including state-owned lands between the line of ordinary high water and the line of ordinary low water, and any uplands of current or former islands in the Sandy River Delta from River Mile 0.0 to 2.5, or from the mouth of the Sandy River to the I-84 bridge crossing, including the Columbia River Side Channel, is closed to:

(a) Any, and all, use of motorized vehicles, including all-terrain vehicles.

(b) Any, and all, discharge of firearms.

(2)(a) Excepted from the restriction in (1)(a) are any motorized vehicle use

(A) By government personnel or their agents on official business, including emergency responders or search and rescue;

(B) Authorized by the Department in advance and in writing; and

(C) By adjacent landowners inspecting or maintaining property.

(b) Excepted from the restriction in (1)(b) are waterfowl hunters on foot during authorized waterfowl hunting season and in possession of a legal hunting license.

(3) Any person who commits any criminal conduct on state lands described under (1), or violates any use restriction imposed by this rule, may be prohibited from entering or using state lands that are under management by the Department at the Sandy River Delta.

(a) The Director shall issue a written notice that explains the extent and duration of the prohibition.

(b) The person subject to the prohibition may appeal the decision and request a contested case hearing pursuant to ORS 183.413 through 183.470, by submitting a written request within 20 calendar days of the date of service of the notice.

Statutory/Other Authority: 273.045
Statutes/Other Implemented: Oregon Constitution Article VIII, Section 5; ORS 273.171; and ORS 274.025

APPENDIX B

OFFICE OF THE SECRETARY OF STATE
LAVONNE GRIFFIN-VALADE
SECRETARY OF STATE

CHERYL MYERS
DEPUTY SECRETARY OF STATE
AND TRIBAL LIAISON

ARCHIVES DIVISION
STEPHANIE CLARK
DIRECTOR

800 SUMMER STREET NE
SALEM, OR 97310
503-373-0701

NOTICE OF PROPOSED RULEMAKING
INCLUDING STATEMENT OF NEED & FISCAL IMPACT

CHAPTER 141
DEPARTMENT OF STATE LANDS

FILED
10/19/2023 3:36 PM
ARCHIVES DIVISION
SECRETARY OF STATE

FILING CAPTION: Restriction on motor vehicles and discharge of firearms at the Sandy River, Multnomah County.

LAST DAY AND TIME TO OFFER COMMENT TO AGENCY: 12/01/2023 5:00 PM

The Agency requests public comment on whether other options should be considered for achieving the rule's substantive goals while reducing negative economic impact of the rule on business.

CONTACT: Danielle Boudreaux
503-798-6846
dsl.rules@dsl.oregon.gov

775 Summer St NE
Suite 100
Salem,OR 97301

Filed By:
Danielle Boudreaux
Rules Coordinator

HEARING(S)

Auxiliary aids for persons with disabilities are available upon advance request. Notify the contact listed above.

DATE: 11/15/2023
TIME: 6:00 PM
OFFICER: Chris Castelli

HEARING LOCATION
ADDRESS: Kellogg Community Room, 234 SW Kendall Ct., Troutdale, OR 97060
SPECIAL INSTRUCTIONS:
This proposed rule will be presented to the State Land Board for adoption in 2024 and will be open to further public comment. For State Land Board agendas please visit https://www.oregon.gov/dsl/Board/Pages/SLBmeetings.aspx.

REMOTE MEETING DETAILS
MEETING URL: Click here to join the meeting
PHONE NUMBER: 1-669-444-9171
CONFERENCE ID: 2508868653
SPECIAL INSTRUCTIONS:
Web Passcode: w#EnJ067
Phone Passcode: 87671005

NEED FOR THE RULE(S)

The Department of State Lands oversees the beds and banks of the Sandy River, as well as approximately 50 acres of natural area adjacent to the Sandy River Delta, a 1,500-acre U.S. Forest Service natural area extensively used for recreation.

For more than a decade, this area has been used for long-term camping by people experiencing unsheltered houselessness. The Department works with the U.S. Forest Service, the Multnomah County Sheriff's Office Homeless

Outreach and Programs Engagement (HOPE) Team, METRO regional government, and other partners to reduce impacts of long-term camping, with an emphasis on connecting people with services and housing.

The Department and partners are receiving increased reports of vehicles being driven and parked on state-owned lands, and of firearms being discharged. Concerns with these uses include:

- Firearm discharge puts people using the natural area at risk. Thick brush reduces visibility past 100 yards in most places. In addition, Troutdale Airport is directly across the river and aircraft frequently fly directly overhead.
- Driving and parking in the natural area creates safety and health risks. Since trails are unlit and for pedestrian use only, the use of vehicles on them increases the risk and likelihood of injury. Fire risk is also increased when vehicles access the natural area as the heat from the engine and exhaust can ignite dry brush. The area has no maintained roads, and therefore vehicles park over brush.
- Additionally, vehicles leak fuel, oil, and other toxic liquids, and introduce exhaust, affecting both human and environmental health. They can damage vegetation, create rutted trails, and increase runoff and soil erosion through soil compaction, both of which contribute to the degradation of water quality.

On August 1, 2023, the Department enacted emergency restrictions on use of vehicles and firearms on state-owned lands at Sandy River Delta to address the health, safety, and environmental hazards created by driving vehicles and discharging firearms in the natural area.

The Department is undertaking the rulemaking process to permanently restrict vehicle use and discharge of firearms. Sandy River Delta partners support both the emergency restrictions and the permanent restrictions through rulemaking.

DOCUMENTS RELIED UPON, AND WHERE THEY ARE AVAILABLE

- Oregon Constitution, Article VIII, Sections 2, 4, 5, & 7:
https://www.oregonlegislature.gov/bills_laws/Pages/OrConst.aspx
- ORS 273-State Lands Generally: https://www.oregonlegislature.gov/bills_laws/ors/ors273.html
- ORS 274-Submersible and Submerged Lands: https://www.oregonlegislature.gov/bills_laws/ors/ors274.html
- OAR 141-088-Public Recreational Use of State-Owned Property:
https://secure.sos.state.or.us/oard/displayDivisionRules.action?selectedDivision=353
- August 8, 2023 State Land Board Meeting-Agenda Item #3:
https://www.oregon.gov/dsl/Board/Documents/August08_2023LandBoardMeetingPacketweb.pdf

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STATEMENT IDENTIFYING HOW ADOPTION OF RULE(S) WILL AFFECT RACIAL EQUITY IN THIS STATE

The Oregon Department of State Lands is committed to the fair, just, and unbiased treatment of people of all races. Actively identifying and addressing inequities to ensure inclusive public service is one of the Department's five core values.

Evaluating who a proposed administrative rule will impact, and how the rule may impact some groups of people differently than others, is essential to providing equitable service. During the rulemaking process, the Department and the Rulemaking Advisory Committee examined the following to ultimately determine the impacts the rule may have on racial equity:

- What persons and groups are subject to the rule?
- What issues the rule is seeking to address? Which racial groups are likely to be affected by those issues?
- Ultimately, what impacts may this rule have on racial equity?

The adoption of the rule is unlikely to impact racial equity in Oregon. Those likely to be subject to the proposed rules include all Oregonians, though in particular, recreational enthusiasts and people experiencing unsheltered houselessness will be most often subject to the restrictions. The proposed rules seek to address illegal and nuisance activities on Oregon-owned land, preserve the natural resources of Oregon, and improve the health and safety conditions for the public utilizing this natural area. Some exceptions will be for government employees on government business, and private companies (utility companies) that must access the property for company or official business.

FISCAL AND ECONOMIC IMPACT:

The Department does not anticipate the proposed rulemaking to pose significant fiscal and economic impact to public or private interests. There are no developed or authorized uses at this location. The proposed rule takes into consideration and makes exceptions for government employees on government business, private companies needing access for official business and access for rescue and emergency workers. The proposed rules are consistent with existing recreational restrictions in OAR 141-088, et. sq., will help ensure safe and legal activity on Oregon-owned lands, and will protect Oregon-owned lands from damage. The permanent use restrictions are one element of a long-term solution for ensuring, safe and healthy waterways.

COST OF COMPLIANCE:

(1) Identify any state agencies, units of local government, and members of the public likely to be economically affected by the rule(s). (2) Effect on Small Businesses: (a) Estimate the number and type of small businesses subject to the rule(s); (b) Describe the expected reporting, recordkeeping and administrative activities and cost required to comply with the rule(s); (c) Estimate the cost of professional services, equipment supplies, labor and increased administration required to comply with the rule(s).

(1) It is anticipated that the following public entities will have a minimal fiscal impact from the adoption of these rules:
- Oregon Department of State Lands. Land Manager of the effected lands. Increased cost of monitoring, signage, rule implementation and enforcement. This agency is proposing the draft rule with the support of the State Land Board.
- Multnomah County Sheriff's Office. Local law enforcement, and partner to the Oregon Department of State Lands. Increased cost of monitoring, reporting, and enforcement. This agency has been consulted and is in support of the draft rule.
- United States Forest Service. Adjacent landowner, and partner to the Oregon Department of State Lands. Increased costs for monitoring and coordinating issues that affect both state and federal property. This agency has been consulted and is in support of the draft rule.

(2)(a) Only small businesses that use Oregon-owned land for recreational purposes would be impacted by any restrictions or closures imposed, and only if such restrictions were imposed on a site, parcel, or area of Oregon-owned land which a small business currently uses or may want to use in the future. Currently the Department is not aware of any small businesses that meet this criteria and use the Sandy River Delta for business purposes. It is unlikely that there will be any significant cost for small businesses to comply with the proposed rulemaking.

(2)(b) The Department does not anticipate the proposed rulemaking, if adopted, to result in increased costs for reporting, recordkeeping, and other administrative activities conducted by small businesses.

(2)(c) The Department does not anticipate the proposed rulemaking, if adopted, to result in increased costs of professional services, equipment supplies, labor and increased administration for small businesses to comply with the proposed rulemaking.

DESCRIBE HOW SMALL BUSINESSES WERE INVOLVED IN THE DEVELOPMENT OF THESE RULE(S):

At the time that the changes to these rules are made available to the public for review and comment, notice of their availability will be sent to persons on the Department's mailing list, many of whom are associated with or represent small business. In addition, the Department convened a Rule Advisory Committee, with multiple members representing small business interests. Their participation provided the Department with direct feedback on policy concepts from small business owners.

WAS AN ADMINISTRATIVE RULE ADVISORY COMMITTEE CONSULTED? YES

ADOPT: 141-088-0036

RULE SUMMARY: Restrictions on Use of Motorized Vehicles and discharge of firearms on the State-Owned lands of and adjacent to the Sandy River.

CHANGES TO RULE:

141-088-0036
Restrictions for State-Owned Property at the Sandy River Delta in Multnomah County
(1) All state-owned land that is under the jurisdiction of the Department, including state-owned lands between the line of ordinary high water and the line of ordinary low water, and any uplands of current or former islands in the Sandy River Delta from River Mile 0.0 to 2.5, or from the mouth of the Sandy River to the I-84 bridge crossing, including the Columbia River Side Channel, is closed to:¶
(a) Any, and all, use of motorized vehicles, including all-terrain vehicles.¶
(b) Any, and all, discharge of firearms.¶
(2) Excepted from this restriction are¶
(a) Government personnel on official business, ¶
(b) public and private employees performing company business as authorized by the Department, ¶
(c) vehicles and persons involved in rescue or emergency activities,¶
(d) waterfowl hunters on foot during authorized waterfowl hunting season and in possession of a legal hunting license, ¶
(e) Department authorized persons, and ¶
(f) adjacent landowners inspecting or maintaining property.¶
(3) Any person who commits any criminal conduct on state lands described under (1), or violates any use restriction imposed by this rule, may be prohibited from entering or using state lands that are under management by the Department at the Sandy River Delta./¶
(a) The Director shall issue a written notice that explains the extent and duration of the prohibition./ ¶
(b) The person subject to the prohibition may appeal the decision and request a contested case hearing pursuant to ORS 183.413 through 183.470, by submitting a written request within 20 calendar days of the date of service of the notice./
Statutory/Other Authority: ORS 273.045
Statutes/Other Implemented: Oregon Constitution Article VIII, Section 5, ORS 273.171, ORS 274.025

OAR 141-088-0036 Sandy River Delta Restrictions Rulemaking Public Comments and Agency Response

The public comment period was open from November 1, 2023, to December 1, 2023, at 5:00 pm. The Department received 9 written comments in total.

Comments & Agency Response

Please note that comments are presented in the order they were received by the Department, with most recent comments listed first.

Jeff Schuh, Friends of the Sandy River Delta, President – December 1, 2023 (via Rules email)

Comment: I participated in the Rule Making Committee for this rule, and was the sole participant in the public meeting.

I welcome these rules, but as I stated in the public meeting, rules are ineffective without enforcement.

Homeless encampments have been a long-neglected problem at the Sandy River. This issue in general MUST be addressed for the safety of recreational users of the area, and is a MUST to address for environmental reasons.

Physical barriers NEED to be placed to prevent vehicle entry. It is known that vehicles currently access the area.

The Sandy River Delta has legal hunting seasons, and the firearms ban should not impact the lawful hunting as we have discussed, but as in the vehicle ban, it is IMPERATIVE that weapons are dealt with by means of enforcement

There are a lot of people aware of the issues at the Delta, so it is also a matter of public perception that these issues need to be addressed.

Agency Response: The agency appreciates your participation in the Rules Advisory Committee for this rulemaking and for providing public comment. The agency will consider your recommendations when discussing future management activities in the Sandy River Delta.

Barb Adams, Oregon Equestrian Trails – November 29 (via DSL Rules email)

Comment: Oregon Equestrian Trails is a non-profit organization that has been working to build horse camps and trails in Oregon since 1970. At the Sandy River Delta our current priority is rebuilding trails with stone placed by volunteers including a member who donates the tractor work.

1. Any, and all, discharge of firearms. *Comment: You have our enthusiastic support for this rule.*

2. Any, and all, use of motorized vehicles, including all-terrain vehicles with exceptions as noted in the rule making documents. *Comment: In order to accomplish the trail work we sometimes need to shuttle volunteers to the work site using vehicles. In addition, our tractor volunteer uses a horse trailer to haul in the tractor and needs to park near the work sites for both trail work and trail mowing.*

The Sandy River Delta is extremely popular coming in at visitor numbers second only to Multnomah Falls. Both of these rules provide increased safety for both pedestrians and equestrians. The site is important for equestrians as it provides easy trails for both senior riders and senior horses and a local place to ride. In addition, it is not closed by snow in the winter so provides virtually year-round trail riding opportunities.
Thank you for these proposed rule changes and the opportunity to comment.

Agency Response: The agency appreciates positive feedback from the public in support of this proposed Division 88 rule. The Oregon Equestrian Trails, like other entities requiring exemption from the rule, may apply for an access agreement and upon approval would be considered an authorized user for the term specified in the agreement. There is no cost associated with an access agreement and an application can be found on the agency's website.

Kim McCarrel, Oregon Equestrian Trails, Vice President – November 16 (via Comment Form)

Comment: I am submitting these comments on behalf of Oregon Equestrian Trails, an all-volunteer 501(c)3 nonprofit dedicated to building and maintaining trails and horse camps. We have about 700 members across the state. Our Mt. Hood chapter is very involved in trail maintenance at the Sandy River Delta, and many of our metro-area members ride there frequently. Here are our thoughts about firearms and vehicles at the Sandy River Delta: Firearms We completely support the idea of restricting firearm use on the DSL land at the Delta. Bullets travel farther than many people realize, putting all Delta visitors at risk. People could be hit even though they aren't near the shooter. Equestrians are at particular risk because horses tend to spook at loud noises. Riders could be seriously injured if their horses are startled by gunfire. Vehicles We also support restricting vehicle use at the Delta. However, our volunteers doing trail maintenance need to be able to shuttle volunteers, tools, and materials to their worksite using vehicles. In addition, the OET volunteer who does mowing and other trail work with his tractor needs to be able to tow it to worksites. We would like the rule regarding vehicles to specifically allow use by authorized volunteers while working at the Delta. We appreciate the opportunity to comment on the proposed rule changes.

Agency Response: The agency appreciates positive feedback from the public in support of this proposed Division 88 rule. The Oregon Equestrian Trails, like other entities requiring exemption from the rule, may apply for an access agreement and upon approval would be considered an authorized user for the term specified in the agreement. There is no cost associated with an access agreement and an application can be found on the agency's website.

Jodi Winters – November 14 (via Comment Form)

Comment: Public Lands are Public Lands. They are not the Governments land to tell taxpayers what they can and can not do on public lands. People should be free to target practice on Public Lands.

Agency Response: The agency appreciates feedback from the public on this proposed Division 88 rule.

Carl Melina – November 13 (via Comment Form)

Comment: I support the rule change

Agency Response: The agency appreciates positive feedback from the public in support of this proposed Division 88 rule.

Kari Lockhart – November 7 (via Comment Form)

Comment: Hello, I support your rule change for the Sandy River Delta. What I do hope is that you actually enforce it and you begin enforcing the current rule of NO CAMPING. There are so many tents by the river in that area already and they have been cutting down trees for years. Both of these things seem like they shouldn't be happening but have been continuously for years. So adding more rules it great but I do hope you don't spend all this time in creating them and then not doing anything about it after they are passed like the no camping currently.

Agency Response: The agency appreciates positive feedback from the public in support of this proposed Division 88 rule. Enforcement of state law is handled by state police and local law enforcement. The agency takes an active role in identifying sites, providing services where appropriate, and cleaning up Oregon-owned lands.

Merry Ann Moore – November 2 (via DSL Rules email)

Comment: Please prohibit use of firearms in the area of the Sandy River Delta under consideration for this rule. We as a society must push back against the tendency to allow the presence and use of guns in more and more settings. A stray bullet in this area represents a clear risk to recreationalists. Further, the sound of gunfire causes anxiety for many of us who go outdoors to escape from the normal stresses of life. And gunfire is traumatic for people with PTSD and terrifies many dogs, like mine. Prohibit firearms in this area!

Agency Response: The agency appreciates positive feedback from the public in support of this proposed Division 88 rule.

Amy Sedgwick, – November 1 (via DSL Rules email)

Comment: I am very much in favor of the restriction of cars and firearms along the Sandy River Delta. It is essential to protect the environment that make Oregon Oregon.

Agency Response: The agency appreciates positive feedback from the public in support of this proposed Division 88 rule.

Albert Kaufman – November 1 (via Comment Form)

Comment: The Department of State Lands is seeking comments on proposed rulemaking (OAR 141-088) that would permanently restrict vehicle use and discharge of firearms on state lands at Sandy River Delta. Temporary emergency restrictions have been in effect since August 1, 2023, with the aim to protect public health, safety, and the environment. - Of course yes! Please make it illegal to discharge firearms on all state lands. Thank you.

Agency Response: The agency appreciates positive feedback from the public in support of this proposed Division 88 rule.

APPENDIX D

Sandy River Delta - Closure Area
T 1N, R 3&4E Section 13, 14, 15, 24, 25
Multnomah County

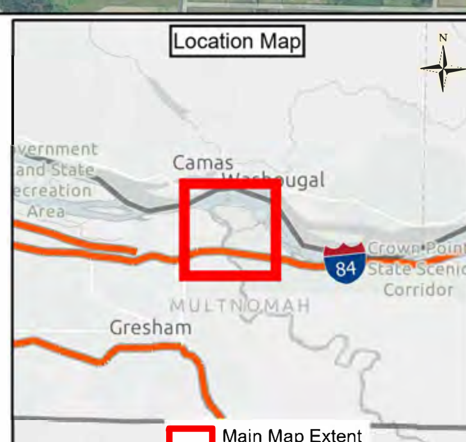
Closure Area
River Miles
City Limits
County Boundaries

0 1,000 2,000
Feet

N

Map Projection:
Oregon Statewide Lambert
Datum NAD83
International Feet

State of Oregon
Department of State Lands
775 Summer St NE, Suite 100
Salem, OR 97301
503-986-5200
www.oregon.gov/DSL
Date: 7/18/2023



This map depicts the approximate location and extent of a Department of State Lands Proprietary authorization for use. This product is for informational purposes only and may not have been prepared for, or be suitable for legal, engineering, or surveying purposes. Users of this information should review or consult the primary data and information sources to ascertain the usability of the information.

Oregon
Tina Kotek, Governor

Department of State Lands
775 Summer Street NE, Suite 100
Salem, OR 97301-1279
(503) 986-5200
FAX (503) 378-4844
www.oregon.gov/dsl

State Land Board

Regular Meeting
February 13, 2024
Agenda Item 3

SUBJECT

The Department of State Lands requests approval of the creation of 1.03 acres of new lands by filling a portion of the State's ownership within the Columbia River in Township 08 North, Range 10 West.

ISSUE

Whether the Land Board should grant permission for the Port of Astoria to create, and subsequently purchase, 1.03 acres of new lands within the Columbia River for the purpose of rehabilitating Pier 2 West. Approval for the purchase of the newly created lands is preliminary, and dependent upon the outcome of a land survey and appraisal.

AUTHORITY

ORS 274.920; relating to the creation of new lands with approval of the owner of the submerged and submersible lands.

ORS 274.932; relating to the right of a public body to purchase new lands created by it.

OAR 141-068-0100; relating to the Land Board's authority to grant permission to create new lands.

OAR 141-068-0110; relating to the sale of new lands.

OAR 141-125; relating to the Department's authority to issue Short-Term Access Agreements

SUMMARY

On October 20, 2023, the Department received a completed application (see Appendix A) from the Port of Astoria (Port) requesting permission to fill in 1.03 acres of submerged land and to create, and subsequently purchase, new lands within the State's ownership of the Columbia River in Township 08 North, Range 10 West. See a map in Appendix B.

The creation of new lands is a significant step in the Port's Pier 2 West Rehabilitation project. The dock and seawall of Pier 2 West is in very poor condition with sixty-two percent of the bents rated as "Urgent" or "Critical" by the Oregon Department of Transportation in 2017. Weight restrictions were imposed, and sections of the dock cordoned off and prohibited from use because of load bearing loss. The selected rehabilitation option is to install a new full height seawall at the face of the existing dock and then backfill behind it, thus creating new land.

OARs 141-068 requires that creation of new lands may only be done with the permission of the owner of the submerged lands on which they are created, as well as the permission of the adjacent upland riparian tax lot owner. At this location, the Port is the upland riparian tax lot owner, and the Department is the owner of the submerged lands.

To begin their project, the Port is requesting permission from the State Land Board to create new lands and preliminary approval of the sale of those new lands to the Port. Per ORS 274.932 a public body that creates new lands has the right to purchase them within one year of their creation. The final sale must be approved by the State Land Board, and the compensation cannot be calculated until the new lands are created and surveyed. Land surveys and appraisals will be at the cost of the applicant.

Looking Ahead to Future Actions

Following approval from the State Land Board for the creation of new land, the Department will issue a Short-term Access Agreement for the construction period of the project. These authorizations are available for limited duration uses of state-owned land that have limited impact on the property.

Prior to any fill activity, the Port will need to apply for and receive a removal-fill permit from the Department. This process will identify potential project impacts on the property, surrounding properties, and health of the watershed. Early consultation with Department staff has identified mitigation sites the Port may consider in meeting state and federal requirements.

Following construction and land surveying, a second request will go before the State Land Board for final approval of the sale of the new lands. This will include a survey of the acreage and the value at which it will be sold.

Public Review and Comment Period
The Department circulated the completed application for public review and comment from December 1, 2023, to December 31, 2023. The notice was circulated to all adjoining property owners, local school district superintendents, county commissioners, Oregon Department of Fish and Wildlife, local Tribes, and other interested stakeholders.

The Department received one comment during the 30-day period. The comment was submitted by the Department's proprietary coordinator regarding the Port's active waterway lease with the Department that covers the area intended for the creation of new land. This lease will require an amendment to reflect the newly filled land upon any completed sale.

RECOMMENDATION
The Department of State Lands recommends the State Land Board approve the Port to create approximately 1.03 acres of new lands, with preliminary approval for the purchase of those lands, within the State's ownership of the Columbia River in Township 08 North, Range 10 West.

APPENDICES
A: Application 64749-LS to Create and Purchase New Lands Within a State-Owned Waterways

B: Exhibit Map

APPENDIX A

RECEIVED
OCT 20 2023
DEPARTMENT OF STATE LANDS
BEND FIELD OFFICE

OREGON DEPARTMENT OF STATE LANDS

Oregon Department of State Lands
951 SW Simpson Ste. 104
Bend, OR 97702
Telephone – 541-388-6112
Fax – 541-388-6480

AGENCY # 64749

APPLICATION TO CREATE AND PURCHASE NEW LANDS WITHIN A STATE-OWNED WATERWAY (SUBMERGED/SUBMERSIBLE LANDS) *

Please print clearly.

Applicant Name(s): Port of Astoria **Phone:** 503-741-3300

Address: 422 Gateway Ave. Suite 100 **Fax:**

E-mail: mmcgrath@portofastoria.com

City: Astoria **State:** OR **Zip Code:** 97103

I (we) hereby make application to fill-in and subsequently purchase the State-owned waterway that is adjacent to the following described upland property:

County	Section	Township	Range	Tax Lot	Acres (to be filled in)
Clatsop County	13	8N	10W	810130000100	1.5
(Attach additional sheets if necessary)				Total Acres	1.5

The waterway described above includes (check all that apply):
Submerged ☐ Submersible ☐ Submerged & Submersible ☑ New Lands ☐ Not Sure ☐

Purchase of the New Lands created is intended. YES ☑ NO ☐

Has this project been reviewed for Removal and Fill permitting? YES ☐ NO ☑
If yes, provide the Removal Fill Permit number: Permit application is in process of being drafted - JPA to be submitted Feb '24

Describe the intended purpose of creating New Lands:

See Attached Supplements Below.

* Attach with this application a map and a description of the New Lands to be created.

* **Application fee** for the creation and subsequent request to purchase New Lands is $1,000. Application fee must be received for application to be considered complete.

PROCEDURES

Please read the procedures below on completing a request for: 1) permission to fill and create New Lands within a State-owned waterway, and2) creating New Lands, and3) purchasing New Lands after creation:

1: Permission to Create New Lands: ORS 274.905 – 274.940, OAR 141-068

a) Any person requesting to create New Lands from State-owned submerged and submersible lands shall meet with the Department staff to discuss the proposed project and use before submitting an application to the Department. This meeting may be in person or through other means acceptable to the Department. The Department may invite other government entities to take part in a pre-application meeting.

b) Submission of this application indicates the request of an entity (Public Body or private individual) to create New Lands within a State-owned waterway and meets the obligations of OAR 141-068.
NOTE: This application **IS NOT** an application for approval of removal and fill work within *waters of the state*. Any approved application to create New Lands may also require a Removal and Fill Permit from the Department using a **separate application** and following a **separate process** per ORS 196 & OAR 141-85.

c) Upon submission, this application will be given consideration by the Department, including evaluation of the financial, natural, cultural, navigational, recreational, and impacts on public access to the waterway as a result of the fill. All applications are subject to a public process to receive comments on the project. Adjacent property owners, interested parties, lessee's (if applicable), tribal, federal, state, and local agencies, port districts, watershed councils, national estuary programs, and soil and water districts are notified during the evaluation. Any significant comments received as a result of this process must be addressed prior to approval. Creation of New Lands will not be approved without the approval of the owner of the adjoining or opposite upland on the same side of the body of water (ORS 274.920).

d) After the public review process and internal evaluation of the New Lands creation request are complete, the Department will decide on whether to recommend to the State Land Board approval of the fill. State Land Board approval is required for the *purchase* of New Lands subsequent to their creation. The Department will seek Land Board approval for creation and subsequent purchase together in one request. Written notice of approval or denial will be provided to the applicant.

2: Creating New Lands

a) New Lands may be created only with written approval from the Department.

b) And as applicable, separately attaining a removal and fill permit from the Department.

c) Creating the new lands must be done in such a manner that all removal and fill permit requirements are met.

d) Any mitigation fees required relating to the removal and fill permitting process do not apply to the purchase of the New Lands once they are created.

3: Purchasing the New Lands

a) Once the New Lands have been created, the creator of the New Land has the opportunity to purchase the New Land from the Department. ORS 274.925 through 274.937 discuss the rights of a public body or private individual to purchase New Lands.

b) The Department will require the applicant to obtain a survey by a licensed surveyor, at their own cost, of the New Lands to define the area of State-owned waterway to be purchased.

c) The sale of New Lands shall be a negotiated sale subject to the provisions of OAR 141-068-0110. A negotiated sale may require an appraisal of the New Lands created at the applicant's expense.

d) Based on the results of the public review process, the Department reserves the right to require a quit-claim deed or access easement for the submerged and/or submersible lands adjacent to the New Lands created (OAR 141-068-0080) to maintain public trust values.

e) If the New Lands are not purchased within the time period required by ORS 274.925 through ORS 274.937, then "...the department may sell, lease or trade new lands created upon submersible or submerged lands owned by the state in the same manner as provided for lands acquired as an investment for the Common School Fund in ORS 274.085 or ORS chapter 273." (ORS 274.915(2))

ACKNOWLEDGMENT: By signing this application, I agree that I have read and fully understand the procedures above, and all sections of this application.

☑ I acknowledge that this application is for the purpose of filling in a state-owned waterway and subsequent purchase of the New Lands.

☑ I have conducted a pre-application meeting with a DSL employee.

☑ I acknowledge that this request will be taken to the State Land Board for review and approval if the request includes the intent to purchase the New Lands.

☑ I acknowledge that filling in a State-Owned waterway may require a Removal and Fill Permit per ORS196 & OAR 141-085.

☑ I acknowledge that purchase of New Lands created may require a quit-claim deed or access easement for the submerged and/or submersible lands adjacent to the New Lands created (OAR 141-068-0090).

☑ I have included a map and description for the location of the area I wish to create New Lands, along with the $1,000.00 non-refundable application fee. The Department of State Lands (DSL) reserves the right to reject this application at any time before creation of the New Lands.

☑ I acknowledge that a lease, sale or trade of the New Lands created may occur if not purchased within the time period prescribed by ORS 274.915.

$1,000 application fee to be paid via online payment portal after submittal

M.L.D. McGrath — Applicant's Signature

10-12-23 — Date

Send completed application and fee to:
Oregon Department of State Lands
Real Property Program
1645 NE Forbes Rd., Ste. 112
Bend, Or 97701

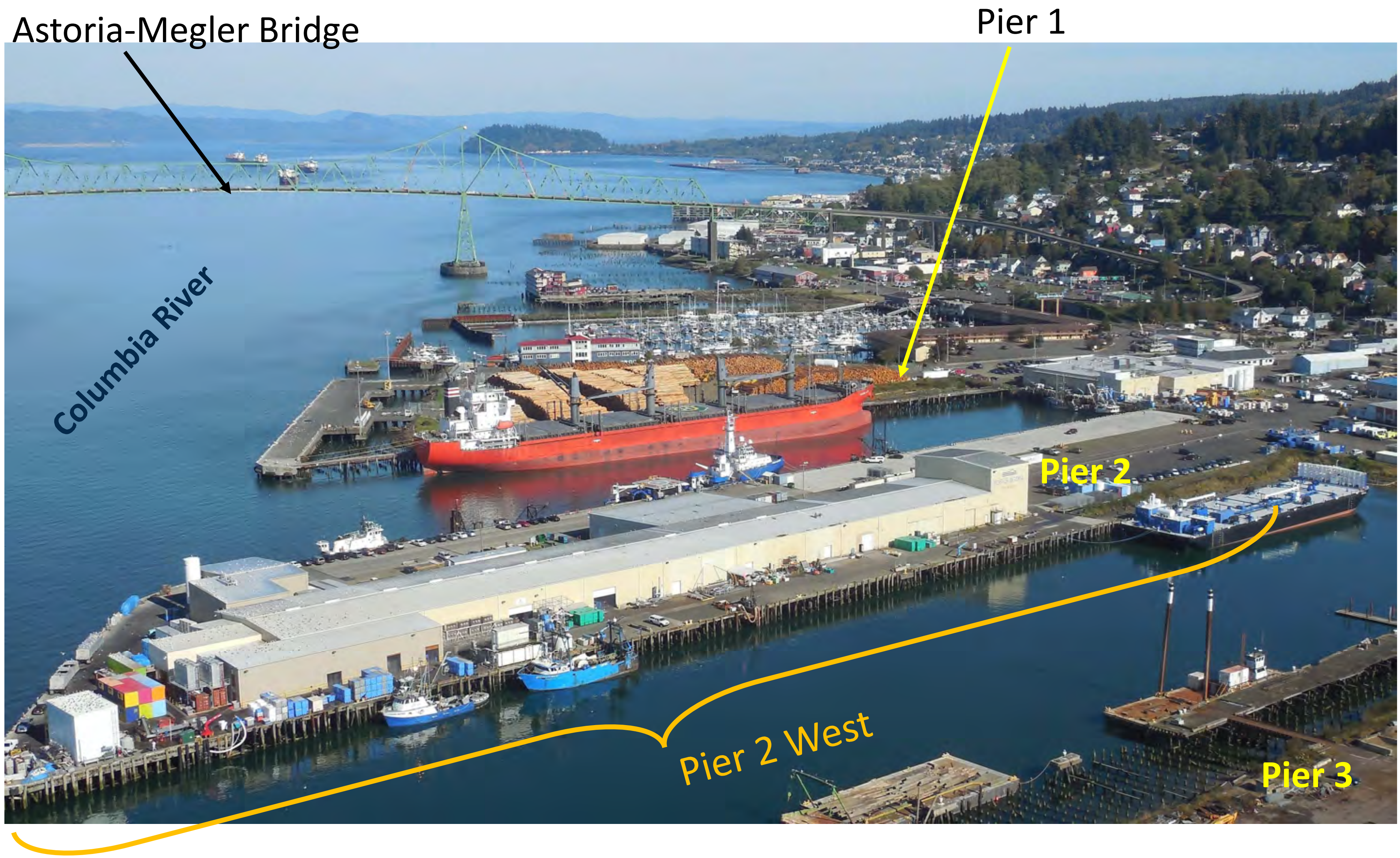
DEFINITIONS

Submerged Lands: Lands lying below the line of ordinary low water of all navigable waters within the boundaries of this state as heretofore or hereafter established, whether such waters are tidal or nontidal. (ORS 274.005).

Submersible Lands: Lands lying between the line of ordinary high water and the line of ordinary low water of all navigable waters and all islands, shore lands or other such lands held by or granted to this state by virtue of her sovereignty, wherever applicable, within the boundaries of this state as heretofore or hereafter established, whether such waters or lands are tidal or nontidal. [1967 c.421 §98 and 1967 c.616 §13; 1969 c.594 §31; 1991 c.217 §3; 2003 c.253 §20] (ORS 274.005)

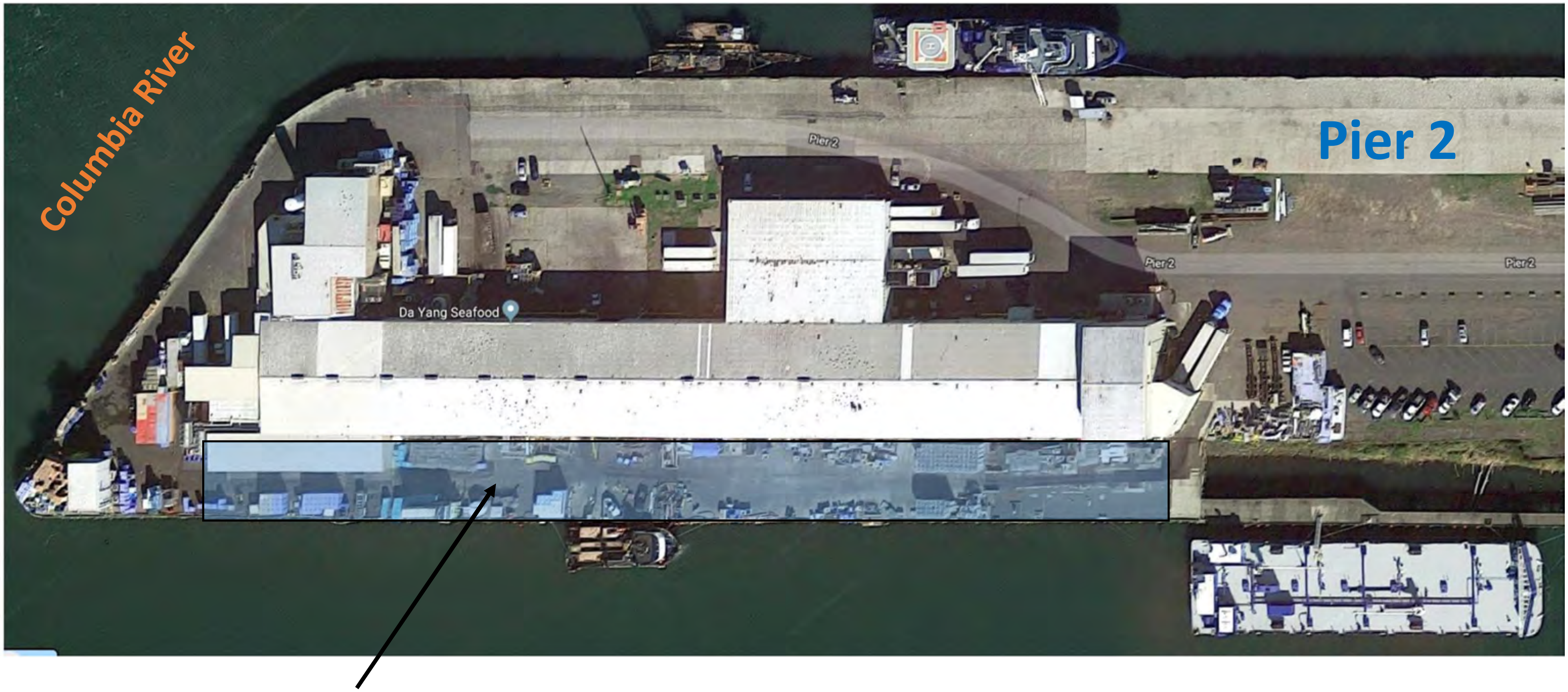
New Lands: Those lands protruding above the line of ordinary high water, whether or not connected with the adjoining or opposite upland or riparian lands on the same side of the body of water that were created upon submersible or submerged lands by artificial fill or deposit on or after May 28, 1963. (ORS 274.905(2)(a)).

Public Body: means the State of Oregon or any port organized under the laws of this state or any dock commission of any city of this state. [1963 c.376 §1; 1967 c.421 §175; 1973 c.328 §1; 2015 c.804 §1]



Aerial View of Pier 2 West

Aerial View of Pier 2 West - Semi-Opaque Blue Box is an Approximation of the Area and Location of the New Land



Blue box indicates the area of new land to be created.

The total area of new land is approximately 1.5 acres.

A formal survey & legal description should be ready by mid-November 2023. However, the boundary of the parcel and its size will not change substantially from that represented here.

APPLICATION TO CREATE AND PURCHASE NEW LANDS WITHIN A STATE-OWNED WATERWAY - SUPPLEMENT

Port of Astoria – Pier 2 West Rehabilitation

The purpose of the new lands is to rehabilitate Pier 2 West at the Port of Astoria. The best rehabilitation option consists of a new steel sheet pile wall installed at the face of the existing dock; thus, the existing dock would be completely removed and replaced by seawall and backfill. The size of the existing pier would not increase. The purpose of this Supplement is to provide background information on Pier 2 West and summarize the rationale as to why this is the best rehabilitation option.

1. Pier 2 West Overview

Pier 2 West is an elevated timber dock fronting a finger of land. Below is a diagram illustrating how the dock is currently structured. Originally built in the 1940s (Whittington & Hoffman, 2019, p. 1), Pier 2 West is an elevated timber dock fronting a finger of land and retained by a vertical timber and steel bulkhead wall. The bulkhead wall extends along the back (east) edge of the timber dock and runs the full length of the dock along Pier 2 West. A long, pre-engineered steel framed warehouse building, along with multiple building additions, is located on the fill behind the bulkhead wall. It is estimated that the last major renovation work was completed in the 1960s.

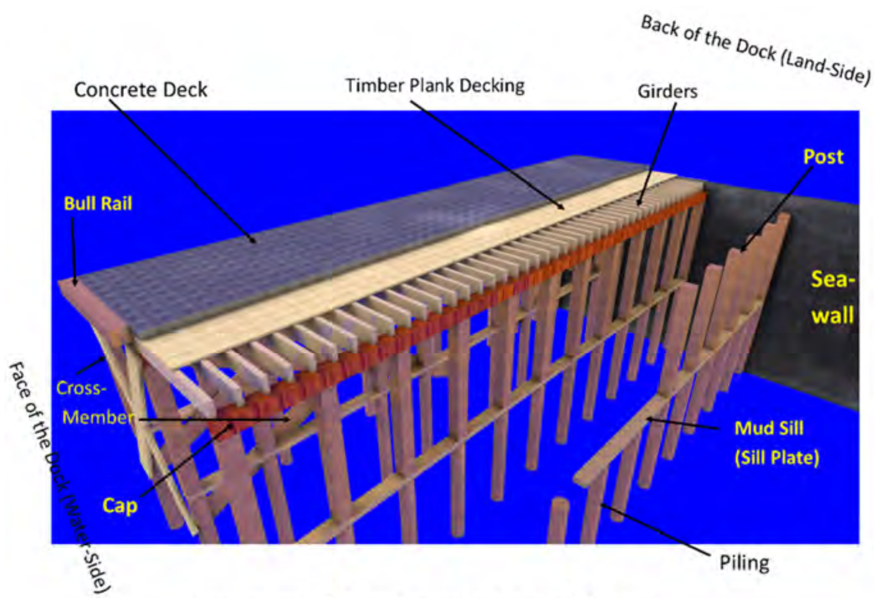


Diagram 2: Cut-Away View of Pier 2

This diagram is intended only to impart a general understanding of the Pier 2 West structure for purposes of the PIDP grant review process. It is not entirely to scale and is not based on engineering drawings.

2. Condition of Pier 2 West

This section outlines the current condition of the dock and provides detailed explanation as to why the pier must be rehabilitated soon.

Pier 2 West is in very poor condition – both the dock and seawall. Sixty-two percent of the bents were rated as "Urgent" or "Critical" by the Oregon Dept of Transportation in 2017. Weight restrictions were imposed and sections of the dock cordoned off and prohibited from use because of bearing loss. Thirty-one percent of the posts need to be replaced. Eight hundred and forty discrete areas of the dock have suffered bearing loss. Localized seawall failures have caused sudden, catastrophic subsidence (very similar to a sinkhole) on the west side of the warehouse, damaging capital infrastructure, interrupting production, and necessitating immediate, expensive repairs. "Together, the ground subsidence and deteriorating dock are negatively impacting tenant operations and pose increasing risk to the users and the warehouse structures in the vicinity" (KPFF, 2021a, p. 2-3).

From an operational standpoint, the holes in the deck pose the greatest interference to operations. The holes may develop over time or appear suddenly. Regardless, the only current option is to cover the holes with large steel plates to distribute the loads over adjoining areas of the dock so that operations may continue. As the Port's engineering consultants have stated, Pier 2 West is in poor condition and has little to no remaining design life (Id., p. 4).

This project began in 2019 when the Port retained an engineering firm to investigate settling issues with the Pier 2 warehouse that were suspected to have some nexus to the condition of the pier and/or seawall. The conclusion of the engineers is that the most likely cause of the settling is the condition of the existing seawall/bulkhead wall (GRI, 2020, p.1; Whittington & Hoffman, 2019, p. 7, 12). The seawall is less than four feet from the west side of the warehouse. The seawall is corroded and flaking, section loss has occurred, portions are out of plumb, and the top of the wall appears to have rotated outward (Whittington & Hoffman, 2019, p. 14). Although FEMA reported that the seawall is 17 feet deep, no substantiation for this assertion could be located and KPFF was unable to determine the exact depth of the wall. No evidence of tie-back anchors was apparent (Id., p. 4). Original drawings of the seawall could not be located. Based on the available information, it appears that the seawall is corroded to the point of structural failure; even if the wall retains some structural integrity, the wall's inadequate embedment (Id.) and lack of tie-back anchors render the wall compromised to a degree that continued reliance on the wall is ill-advised.

Further, KPFF noted that the existing timber dock appears to be providing lateral support for the seawall (Shanahan & Ready, 2021, p. 2; Whittington & Hoffman, 2019, p. 4). In other words, the seawall failure has very likely progressed to the point that the dock is supporting the seawall. Even in excellent condition, the dock is not designed for such loads; the seawall should be independently stable. Therefore, if the failure of the seawall is the main contributor to the ground subsidence, and the seawall has failed to a point that the dock is providing some of the lateral support to the seawall, then the progressive failure of the dock is also contributing to the ground subsidence on Pier 2 (Id., p. 7).

In sum, the Port's engineering consultant has confirmed that both the dock and the existing seawall are failing.

3. The Economic Importance of Pier 2 West

The economic importance of Pier 2 West is outlined in the brochure attached to this Supplement (below).

4. Rehabilitation Option Analysis

The selected rehab option is to install a new full height seawall at the face of the existing dock and then backfill behind it, thus creating new land. This is the best option for the reasons discussed in this section.

A. Safety

The existing dock has insufficient capacity to resist code-level seismic ground movements. Soil liquefaction and lateral spread would lead to the failure of the existing seawall, the existing elevated timber dock, and the adjacent building foundation.

Of the design alternatives posited and evaluated by the engineering consultant, only the selected option adequately addresses seismic vulnerabilities; it is the only practicable solution that will facilitate the complete design of improvements for code-level seismically induced forces and ground movements (i.e., soil liquefaction and lateral spreading). This is so because only this option allows for the full required ground soil improvements outside the existing footprint of the warehouse building ("ground improvement" refers to densification or strengthening of a volume of soil designed to stabilize subsurface conditions). Moving the seawall closer to the warehouse (i.e., a new seawall that is not installed at the face of the existing dock) renders the available space insufficient to install the required ground improvements (KPFF 2021c, pgs. 7-10).

B. Ground Subsidence

A seawall that is closer to the warehouse increases the risk of ground subsidence during construction because of the proximity of the new seawall to the existing warehouse foundation (west side); impact pile drivers and vibratory hammers typically cause nearby ground to consolidate and settle, which would likely cause significant [additional] settlement of the already-subsiding western line of warehouse footings. (see KPFF, 2021c, p. 8). The selected option minimizes the potential for such damage to existing infrastructure, as compared to the other options.

C. Stormwater Collection

The selected option is the only option that can ensure the long-term collection - and therefore the proper treatment - of 100% of stormwater runoff from the west side of the warehouse and pier. Other options involve an above-water pile-supported deck with inherent structural characteristics that make it very difficult to collect 100% of the stormwater runoff, which would result in untreated runoff being discharged into the waters of the Columbia River (KPFF 2021b, p. 8; KPFF 2021c, p.9).

D. Environmental Damage

Although all feasible rehabilitation options will inevitably generate environmental effects during construction, only the selected option eliminates long-term, ongoing environmental effects associated with annual observation, maintenance, and repair activities of the over-water pile-supported dock. All observation, maintenance and repair activities for this option will occur at the finished grade of the fill and will not involve work in the waters of the Columbia River. Further, other options leave stormwater and other utility improvements hanging beneath the dock structure, exposed to wind, waves, and brackish water - all of which degrade the utility infrastructure much faster than below-ground utilities and thereby increase the risk of discharge of contaminants to the Columbia River should a failure occur.

E. Ongoing Maintenance

The selected option is the least expensive option over the long-term horizon in terms of ongoing maintenance requirements. For the existing pier, those costs are substantial. A reduction in long-term maintenance costs will result in greater financial independence of the Port, which will, in turn, benefit the state with a corresponding reduction in dependence on state assistance for those needs. This will also benefit the state by providing a more enduring source for the economic benefits detailed in the Brochure below.

Additionally, the selected option is the least expensive in terms of environmental costs: not only is this the only option that guarantees collection of 100% of stormwater runoff (KPFF 2021c, p.9), but only this option eliminates all the environmental effects associated with regular maintenance and repair activities of a pile-supported dock. As to the latter, annual maintenance work generates CO_2 emissions from engine exhaust (cranes, vessels, transport trucks, etc.), additional road miles from commercial suppliers of the necessary materials for maintenance activities, and the associated consequential increase in road accidents & injuries.

F. Risk of Cost Overruns

Because other rehab options involve the installation of new piles within the footprint of the existing pier, construction delays and budget exceedances caused by sub-surface ground obstructions are a significant risk (KPFF 2021a, p. 8). The selected option minimizes this risk because the new seawall will be installed at the perimeter – outer boundary – of the pier footprint where sub-surface obstructions are least likely to be found.

5. Environmental Permitting

The Port has retained the services of an environmental permitting consultant with extensive experience in securing the necessary permits for marine projects of this type. The Joint Permit Application will be submitted to the Corps and DSL within the 1st quarter 2024 timeframe. Along with the JPA, the Port will submit a Mitigation Plan that will detail the required compensatory measures. The consultant has already commenced working on this Plan and some potential compensatory mitigation sites have already been identified.

REFERENCES

GRI. (2020). *Port of Astoria, Pier 2 West – Preliminary Design GRI Scope and Fee, Prepared by GRI for KPFF*. Memorandum from GRI to KPFF, December 11, 2020.

KPFF. (2021a). *Port of Astoria Pier 2 West Rehabilitation Alternatives Analysis Report*. KPFF Consulting Engineers, Inc. April 7, 2021.

KPFF. (2021b). *Port of Astoria, Pier 2 West Rehabilitation, DRAFT Project Design Alternatives Memorandum.* KPFF Consulting Engineers, Inc. June 4, 2021.

KPFF. (2021c). *Port of Astoria, Pier 2 West Rehabilitation, Project Design Alternatives Memorandum*. KPFF Consulting Engineers, Inc. August 27, 2021.

Shanahan, M. & Ready, S. (2021). *Preliminary Geotechnical Consultation Memo, Pier 2 West Bulkhead and Dock Rehabilitation Alternatives Analysis*. Memorandum from GRI to KPFF. KPFF Consulting Engineer, Inc. March 31, 2021.

Whittington, S. & Hoffman, M. (2019). *Structural Assessment of Port of Astoria Facility Pier 2 West*. KPFF Consulting Engineers, Inc. December 18, 2019.

• Pier 2 West alone pours $132.8 million every year into the Oregon economy. Yet catastrophic failure of Pier 2 West is a very real possibility. Such failure will eliminate all the economic assets - and exacerbate the liabilities - outlined in this brochure. Rehabilitation will ensure the safety of the workers on the dock and the ongoing reliability and efficiency of fish processing operations.

• Seafood is the largest traded food commodity in the world. More than 3 billion people in the world rely on wild-caught and farmed seafood as a significant source of animal protein. Sustainable seafood is the most environmentally efficient source of protein on the planet. Pier 2 West has consistently produced millions of pounds per year of sustainable, wild-caught seafood (about 84 million lbs in 2019).

• Rehabilitation of the pier supports equitable development and is consistent with Oregon's Equity Framework. It will prevent the crippling of the local economy by providing critical investment in a historically and currently underserved community – thereby mitigating the disadvantages of this rural, economically disconnected area.

• Pier 2 West revitalization will enable the Port to fully benefit from its primary competitive advantage – proximity to the Pacific Ocean – while mitigating several disadvantages: lack of rail, limited acreage, and inordinate dredging burden. These disadvantages make it very difficult for the Port to establish itself as a cargo terminal. The new pier will be the Port's primary means to surmount these disadvantages and continue its mission as an engine of economic growth.

Port of Astoria

• *National Marine Fisheries Service (2022). Fisheries of the United States, 2020. U.S. Department of Commerce, NOAA Current Fishery Statistics No. 2020. Available at: https://www.fisheries.noaa.gov/national/sustainable-fisheries/fisheries-united-states*
• *Johnson, Jerry. "Fiscal and Economic Impact Analysis of the Repair and Rehab of Pier 2 West." Johnson Economics, June 10, 2021*
• *World Wildlife Fund. (n.d.). https://www.worldwildlife.org/industries/sustainable-seafood*
• *Understanding Sustainable Seafood. (n.d.). NOAA Fisheries, National Oceanic and Atmospheric Administration, U.S. Department of Commerce. https://www.fisheries.noaa.gov/insight/understanding-sustainable-seafood*

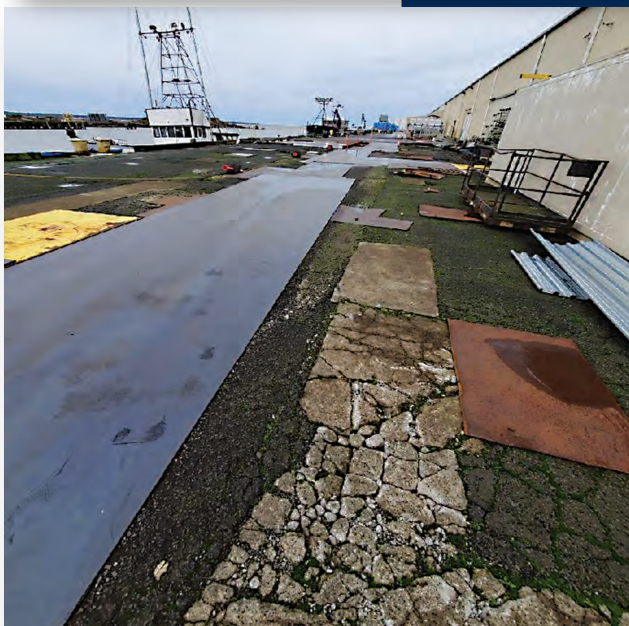
APPENDIX A

PORT OF ASTORIA PIER 2 WEST REHABILITATION

Economic Strength for the Future

Port of Astoria

APPENDIX A



PORT OF ASTORIA PIER 2 WEST REHABILITATION

Economic Strength for the Future

- **RANK:** Astoria was ranked 6th in the nation for pounds of fish landed in 2020. Pier 2 West operations account for half of those landed fish. If the pier fails, it is unlikely that Astoria would ever recover its ranking.

- **PRESERVE ECONOMIC OUTPUT:** Annual recurring output of Pier 2 West fish processing operations is $101.2 million for Clatsop County and $132.8 million state-wide.

- **RETAIN AND CREATE JOBS:** Over a ten-year period, 2,837 county jobs will be retained or created as a result of Pier 2 West operations (4,676 jobs statewide). These operations will also yield $134.6 million in gross payroll ($256.2 million state-wide). Rehabilitation will enable Pier 2 West fish processors to create an additional 50-75 full-time jobs.

- **ASSURE TAX REVENUE:** Ongoing operations over the next twenty years are expected to result in $79 million in federal taxes paid and $36 million in local and state taxes paid.

- **PREVENT CLIMATE DAMAGE:** Rehabilitation of the pier will prevent the forced relocation of the pier's two fish processors. Failure of the pier would result in substantial increases in large truck miles, generating an additional 25,000 metric tons of greenhouse gas emissions over the next 30 years – at an estimated climate cost of almost $26 million.

- **INCREASE SAFETY:** The dilapidated condition of the existing dock presents an ever-increasing hazard to dock workers and commercial fishermen. Pier rehab will ensure a safe working environment for decades to come.

- **CREATE RESILIENCE:** The new pier will be far more resilient to natural disasters, greatly increasing the likelihood that vessel berthing and off-loading infrastructure will possess sufficient structural integrity to support disaster recovery efforts.

- **SAVE TIMBER RESOURCES:** The existing pier consists of over 1.6 million pounds of Douglas Fir timber – all of which must be replaced at regular intervals. The new design will be free from this dependence on precious timber resources for its maintenance.

- **ENVIRONMENTALLY RESPONSIBLE:** The new pier will reduce contamination in the Columbia River by removing 250,000 square feet of treated piling and other timber components in contact with the river.

- **SUPPORT COMPETITIVE ADVANTAGE:** The new pier will substantially reduce maintenance expenses and ensure a long-lasting source of revenue from sustainable commerce, thereby greatly enhancing the Port of Astoria's competitive advantage. The additional funds made available will enable more investment in other self-sustaining business lines that complement and support the seafood processors on Pier 2 West.

APPENDIX B

State of Oregon
Department of State Lands

EXHIBIT A

64749-LS New Lands
T08N, R10W Section 13
45,274 Square Feet (1.03Acres)
Clatsop County

Legend

Use Area

Tax Lots

Clat_Tax

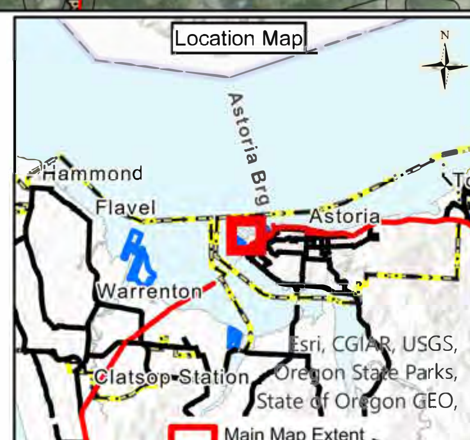
0 225 450
Feet

N W E S

Map Projection:
Oregon Statewide Lambert
Datum NAD83
International Feet

State of Oregon
Department of State Lands
775 Summer St NE, Suite 100
Salem, OR 97301
503-986-5200
www.oregon.gov/DSL

Date: 11/27/2023



This map depicts the approximate location and extent of a Department of State Lands Proprietary authorization for use. This product is for informational purposes only and may not have been prepared for, or be suitable for legal, engineering, or surveying purposes. Users of this information should review or consult the primary data and information sources to ascertain the usability of the information.

Oregon
Tina Kotek, Governor

Department of State Lands
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State Land Board

Regular Meeting
February 13, 2024
Agenda Item 4

SUBJECT

Request for authorization to proceed with drafting legislative concepts to be submitted to the Department of Administrative Services (DAS) for the 2025 Legislative Session.

ISSUE

Whether the State Land Board should authorize the Department of State Lands (Department) to proceed with drafting a 2025 legislative concept to submit to DAS for review and drafting in preparation for pre-session filing.

AUTHORITY

ORS 273.041 directing the Department of State Lands to exercise all of the administrative functions of the State Land Board.

ORS 171.130 allowing the Governor and DAS to pre-session file certain state agency bills.

BACKGROUND

The DAS schedule for 2025 legislative concepts requires all agencies to submit proposals to DAS for review by April 30, 2024. DAS and the Governor's Office will complete review by June 28, 2024, and forward approved concepts to Legislative Counsel for drafting. By November 13, 2024, agencies must submit draft concepts to DAS and the Governor's Office for final approval. The deadline for pre-session filing is December 13, 2024.

During legislative concept development, there are multiple opportunities to refine concepts, or if necessary, withdraw concepts. Engagement with agencies and stakeholders will be ongoing, with their feedback helping shape the concept.

The Department will provide updates on the legislative concept process during Land Board meetings through December 2024.

PROPOSED LEGISLATIVE CONCEPTS

Historically Filled Lands

Background

Throughout much of Oregon's history the placement of fill on the state's submerged and submersible lands was unregulated and considered an improvement to what were seen as low-value areas. In many cases the state retains an ownership interest if the lands that were formed by placing fill. This has led to a "cloud on title" to many properties, which requires the state and the adjacent landowner to settle the state's claim to clear title. The State Land Board has jurisdiction over historically filled lands under ORS 274.950 through ORS 274.956, the Department administers historically filled lands under OAR 141-068.

The Filled Lands Advisory Group (FLAG) was formed after the 2013 legislative session to engage with the Department to ensure a fair and reasonable process to resolve state ownership interests in historically filled submerged and submersible lands. "Historically filled lands" were defined as lands which were created upon submerged and submersible lands by artificial fill or deposit prior to May 28, 1963, prior to enactment of state laws addressing disposition and ownership. The FLAG made a suite of recommendations for streamlining the administrative process.

Senate Bill 912 passed into law during the 2015 legislative session and codified several of the FLAG recommendations. Senate Bill 912 also required the State Land Board to meet certain requirements before asserting title to historically filled lands, requiring the State Land Board to direct the Department to determine whether the state retains any interest in historically filled lands in tidal and navigable waterways. Senate Bill 912 established legal sideboards for a public notification process and Land Board declaration of state's interests in historically filled lands. A lot of the notification and declaration process in Senate Bill 912 was based on existing statutory process for determining that a waterway is navigable. Senate Bill 912 allocated some General Fund monies to the Department to complete this work.

Senate Bill 912 introduced a critical deadline that affects the state's ability to claim ownership of historically filled lands. This bill took effect on July 27, 2015, and imposes a deadline of December 31, 2025, for the state to make claim to historically filled lands. The Department conducted initial studies on segments of the Chetco, Tillamook, Siletz and lower Columbia Rivers between July 2017 and September 2018. What historically filled lands that were identified were typically small, outside of city limits and not in industrial or commercial use. However, as the Department established protocols and procedures for performing the studies, it became clear that this is a massive undertaking on a statewide level. While the Department pursued this assignment it also became clear the funding and timeframe provided by SB 912 were inadequate to complete the mandate.

Since enactment of SB 912, the Department has had a small number of requests to clear title of potential historically filled lands. These have been dealt with on a case-by-case basis. The benefits of clearing title on a statewide programmatic basis may not justify the time and resources required to do so.

Request

With the December 31, 2025, deadline from Senate Bill 912 looming. The Department requests approval to draft a legislative concept to repeal or amend the determination and declaration language; and clarify in law steps a landowner may take to clear title to historically filled lands when there is no state claim.

Agency Mission and Goals

It is anticipated that amending the historically filled lands statutes will have multiple benefits to the Department and the public. Clarification in statute as to how a landowner may demonstrate no state interest and clear title to historically filled lands will improve customer service by providing a fair transparent process that the landowner may initiate themselves. It will also reduce the workload of the Department of doing extensive research and analysis on a parcel and will help meet the legislative direction to streamline the process for removing a cloud on title.

Energy and Telecommunications Coordination

Background

The Department and the State Land Board have authority to authorize uses of Oregon-owned waterways and uplands under their jurisdiction through ORS 273 and ORS 274. The Department has developed administrative processes for issuing easements for cables, bridges and other encroachments through OAR 141-083, OAR 141-122 and OAR 141-123.

Oregon has been a destination for landing international telecommunications cables through the territorial sea for decades. The placement of those cables has to meet the requirements of Part 4 of the Territorial Sea Plan (administered by the Department of Land Conservation and Development) and OAR 141-083. State Land Board approval is required for the issuance of these easements. This process came under heightened review and scrutiny in 2019-2021 with the Edge/Facebook cable in Tillamook County. In 2021, the Legislature passed HB 2603. This bill established decommissioning requirements for undersea cables in the territorial sea and directed DLCD to update Part 4 of the Territorial Sea Plan. On November 3, 2023, the Land Conservation and Development Commission adopted a robust update Part 4. This includes: the convening of a Joint Agency Review Team (JART), a critical infrastructure analysis, decommissioning and recovery plans, and a resource inventory that must be completed. As the easement issuing agency, the Department is responsible for the implementation of Part 4.

In August of 2023, the State Land Board approved the Amazon Bifrost cable landing in Tillamook County. The Board did have questions and thoughtful deliberations as to the compensation required under the easement. The Board directed the Department to investigate how compensation is calculated for these easements moving forward and desired more information before another cable easement is brought to them for approval.

ORS 758.010 allows for water, gas, electric or communication service lines, and fixtures crossing state lands outside of city limits to be constructed "free of charge." ORS 273.058 does allow the Department to charge a fixed administrative fee of $5,000 for easements within the territorial sea; and $750 for all other easements.

The Department does not believe that it can cover its administrative costs for implementing Part 4 of the Territorial Sea Plan with a fixed $5,000 administrative fee. Furthermore, ORS 758.010 prohibits the Department from developing a compensation policy or rule for cables in the territorial sea; or outside of city limits for other Oregon-owned waterways and state lands. The compensation to date that the Department has received has involved project specific negotiations with the applicant to remove a future imposition of fees clause from the easement.

Request

The Department requests approval to draft a legislative concept granting the authority to establish appropriate administrative fees for easements in the territorial sea, and for water, gas, electric or communication service lines, and fixtures crossing state lands outside of city limits, through administrative rule. The Department will convene a rules advisory committee to assist in developing appropriate fees for the work required for the review and issuance of these easements.

The Department requests approval to draft a legislative concept granting the authority to develop appropriate compensation policies for easements in the territorial sea, and for water, gas, electric or communication service lines, and fixtures crossing state lands outside of city limits, through administrative rule. The Department will convene a rules advisory committee to assist in developing compensation formulas for the long-term use of these state-owned lands.

Agency Mission and Goals

This legislative concept directly meets the agency mission *"To ensure Oregon's school land legacy and protect waterways and wetlands of the State through superior stewardship and service."*

The ability to charge appropriate administrative fees is paramount to meeting stewardship responsibilities of lands, waterways, and wetlands. It will also improve customer service to the applicant, fellow agencies, and affected stakeholders, by ensuring we have the resources to undertake a thoughtful review and engagement process for these proposed projects.

The ability to charge compensation for these uses of Oregon-owned waterways and uplands will help meet our goal for supporting schools, which states *“We continually seek opportunities to increase revenue for the Common School Fund, and we regularly demonstrate the results of our innovative, efficient, and effective operations.”* The ability to charge an appropriate administrative fee also meets our goal of supporting schools, by ensuring that the applicant pays for the agency services needed to review, evaluate, and authorize a project, not the Common School Fund.

Abandoned and Derelict Vessels-Placeholder

Background

For decades, hazardous boats, ships, and other vessels have seriously threatened the health, safety, and use of Oregon’s public waterways. These abandoned and derelict vessels (ADVs) have also impacted Oregon schools, with the Common School Fund expending almost $19 million for cleanups since 2017.

In 2023, the State Land Board and the Oregon Legislature took action to address the state’s ADV problem. The Land Board in April 2023 directed the Department to convene an ADV Workgroup to guide development of a comprehensive program framework and recommended legislative solutions. Two bills approved during the 2023 legislative session are now supporting the Department in removing vessels from waterways and developing a statewide ADV program. House Bill 2914 established the Oregon Abandoned and Derelict Vessel program at DSL to address ADVs, and created the Oregon Abandoned and Derelict Vessel Fund at the Oregon Treasury. And House Bill 5029 provided $18.8 million from the Monsanto settlement for the new ADV fund. That initial funding is supporting vessel removals, development of the ADV program, and new positions to support ADV efforts.

In July 2023, the Department began a robust community engagement process that has included interviewing around 40 stakeholders to hear their thoughts, concerns, and perspectives on ADVs around the state; convening the ADV Workgroup; and outreach to stakeholder groups, including the Oregon Public Ports Association, the Port of Nehalem, the United States Coast Guard, and the Waterfront Organizations of Oregon. Extensive media coverage, including by OPB’s Think Out Loud program in October 2023, has also helped highlight the ADV issue and raise awareness of the need for immediate action and enduring solutions.

A draft of the ADV program framework went out for public review and comment on February 5, 2024, with the comment period open through March 5, 2024. The Department will submit an update on our progress to the Legislature on February 15, 2024, and present the comprehensive statewide ADV program framework to the Land Board at its April 2024 meeting.

Request

The Department requests approval to draft a placeholder legislative concept as needed to support implementation of the final statewide ADV program framework. The Department will have further details on what may be needed legislatively at the April 2024 State Land Board meeting. Current challenges that the Department may seek to address with a legislative concept include:

- Eliminating certain property handling and disposition requirements such as pre-disposal notice and storage periods for vessels determined to be waterway waste based on criteria related to condition and circumstance. Oregon laws that are meant to protect the rights of vessel owners do not account for boats which are intentionally discarded, are non-functional, or have been sunk for an extended period. Provisions could be added to state statute that allow for situations in which a vessel meeting certain criteria can be lawfully removed and disposed of without an unproductive and resource-intensive storage and notification process.

- Clarifying the responsibilities and liabilities of parties connected with abandoned and derelict boats. Definitively determining a legally responsible party to hold accountable for damages and incurred costs associated with an ADV is often not possible; compelling corrective action, enforcing penalties, and recouping costs is therefore difficult. Clarity regarding the roles of the operator/occupant, responsible party, and last titled owner could expand opportunities for enforcement agencies, including State agencies, to avoid absorbing undue costs.

- Securing sources of long-term stable funding for the program. Predictable, consistent funding will be crucial for the ongoing success of the program. The Workgroup has indicated revenue should be sourced from those who benefit from the manufacture, sale, and operation of boats, including recreational and commercial boaters, boat dealers, boat manufacturers, moorage and boating access providers, and commercial entities dependent upon boats for conducting business. Establishing new or increased fees for these groups would require legislative action.

- Implementing insurance or bonding requirements for vessels operating in Oregon. Though there are a number of situations in which a vessel owner must demonstrate certain levels of liability coverage to participate in elective activities, (for example financing a vessel purchase through certain lending institutions, mooring a vessel in a facility that requires proof of insurance) there is no statewide requirement for vessel owners to maintain liability coverage or to demonstrate financial ability to address the removal of the vessel from the water should it become necessary.

Agency Mission and Goals

Any proposed concept will support the agency mission *"To ensure Oregon's school land legacy and protect waterways and wetlands of the State through superior stewardship and service."*

It will have been developed based on the work of the ADV Work Group and their recommendations on a statewide ADV program (Exceptional Service goal). It will work to reduce liability and expenditures to Oregon's Common School Fund (Supporting Schools goal) and continue to improve stewardship of Oregon-owned waterways (Thriving Oregon goal).

Oregon
Tina Kotek, Governor

Department of State Lands
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www.oregon.gov/dsl

M E M O R A N D U M

Date February 13, 2024

To: Governor Tina Kotek
Secretary of State LaVonne Griffin-Valade
State Treasurer Tobias Read

From: Vicki L. Walker
Director

Subject: Common School Fund Audit Report

The Department's auditors, Eide Bailly, will be presenting the 2023 governance letter and 2023 financial statements attached in the appendix. The key items that will be addressed are as follows:

- Overall process of the audit
- Discuss the auditor's opinion
- Highlights from the letter issued to those in charge of governance (the board)
- Discuss the Government Auditing Standards opinion letter

APPENDICES

A. Common Fund 2023 Governance Letter

B. Common Fund 2023 Final Financial Statements

CPAs & BUSINESS ADVISORS

November 6, 2023

To the State Land Board
Department of State Lands
Salem, Oregon

We have audited the financial statements of the Common School Fund of the State of Oregon as of and for the year ended June 30, 2023*,* and have issued our report thereon dated November 6, 2023. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit under Generally Accepted Auditing Standards and *Government Auditing Standards*

As communicated in our letter dated July 18, 2023, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of Funds solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our finding regarding a material weakness in internal control during our audit in our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated November 6, 2023.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Funds is included in Note 2 to the financial statements. As described in Note 1, the Common School Fund changed accounting policies related to accounting for subscriptions to adopt the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Accordingly, the accounting change has been retrospectively applied to the financial statements beginning July 1, 2022. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

> Management's estimate of the unclaimed property deposit liability that will be distributed is based on the percentage of claims historically paid out overtime. We evaluated the key factors and assumptions used to develop the unclaimed property deposit liability and determined that it is reasonable in relation to the basic financial statements taken as a whole.
>
> Management's estimate of the various investment valuations with non-readily available market prices are based on a cash flow analysis with true up adjustments provided by the fund managers. We evaluated the key factors and assumptions used to develop the investment valuations and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the Common School Fund's financial statements relate to:

The disclosure of investments in Note 2 to the financial statements requires disclosures to address Government Accounting Standards Board Statement No. 40 "Deposit and Investment Risk Disclosure – an amendment of Government Accounting Standards Board Statement No. 3" which addresses common deposit and investment risks related to credit risk, custodial credit risk, concentration of credit risk, and interest rate risk.

The disclosure of deposit liabilities in Note 4c to the financial statements that summarize the estimated liability for unclaimed property for the year ended June 30, 2023.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit.

The following misstatement that we identified as a result of our audit procedures was brought to the attention of, and corrected by, management:

Debit Unclaimed Property and Escheat Property Revenue	$39,490,223	
Credit Controlled Deposit Liability		$39,490,223

The following summarizes an uncorrected financial statement misstatement whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole and each applicable opinion unit.

Overstatement of Deposit Liability	$3,384,341

The effect of this uncorrected misstatement on change in fund balance as of and for the year ended June 30, 2023 could not be determined.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Fund's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Circumstances that Affect the Form and Content of the Auditor's Report

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. Except as described in the following paragraph, we did not identify and circumstances that affect the form and content of the auditor's report.

Modification of the Auditor's Report

We have made the following modification to our auditor's report to include an emphasis of a matter.

As discussed in Note 1, the financial statements of the Common School Fund are intended to present the financial position, and the changes in financial position, of only the position of the State or Oregon that is attributable to the transactions of the Common School Fund. They do not purport to, and do not, present fairly the financial position of the State of Oregon or Department of State Lands or the Oregon State Treasury as of June 30, 2023, or the changes in their financial position for the year then ended in accordance with accounting principles generally accepted in the Unites States of America. Our opinion is not modified with respect to this matter.

Representations Requested from Management

We have requested certain written representations from management which are included in the management representation letter dated November 6, 2023.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Common School fund of the State of Oregon, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Common School Fund's auditors.

This report is intended solely for the information and use of the Oregon State Lands Board, the Director, the Oregon Secretary of State Audits Division, and management of the Common School Fund and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Eide Bailly LLP

Boise, Idaho

Common School Fund

Annual Financial Report

For the Fiscal Year Ended June 30, 2023

Oregon Department of State Lands

An Agency of the State of Oregon

Vicki L. Walker
Director

Jean Straight
Deputy Director, Administration Division

Report Prepared by:

Joseph Flager, CPA, Fiscal Manager
Sangit Shrestha, CPA

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Common School Fund
Table of Contents
June 30, 2023

FINANCIAL SECTION

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FINANCIAL SECTION

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CPAs & BUSINESS ADVISORS

Independent Auditor's Report

State Land Board
Oregon Department of State Lands
Salem, Oregon

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Common School fund, major governmental fund of the State of Oregon, which comprise the balance sheet as of June 30, 2023, and the related statement of revenues, expenditures, and changes in fund balances of the Common School fund of the State of Oregon, as of and for the year ended June 30, 2023, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Common School Fund of the State of Oregon as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States *(Government Auditing Standards)*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the State of Oregon, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Common School Fund of the State of Oregon are intended to present the financial position and the changes in financial position that is attributable to the transactions of the Common School Fund. They do not purport to, and do not, present fairly the financial position of the State of Oregon, the Department of State Lands, or the Oregon State Treasury as of June 30, 2023, or the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State of Oregon's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2023, on our consideration of the Common School Fund of the State of Oregon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Common School Fund of the State of Oregon's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Common School Fund of the State of Oregon's internal control over financial reporting and compliance.

Eide Bailly LLP

Boise Idaho
November 6, 2023

BASIC FINANCIAL STATEMENTS

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Balance Sheet
June 30, 2023

ASSETS		
Cash and Cash Equivalents	$	91,179,361
Cash and Cash Equivalents, Restricted		1,155,096
Investments		2,184,098,701
Investments, Restricted		98,697,556
Securities Lending Collateral		3,981,740
Accounts and Interest Receivables		9,502,515
Due from Other Funds		166,285
Advances to Other Funds		300,000
Net Contracts, Notes, and Other Receivables		11,590
Total Assets	$	2,389,092,844
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable	$	20,059,574
Obligations Under Securities Lending		3,981,740
Due to Other Funds		349,394
Deposit Liabilities		236,038,120
Total Liabilities		260,428,828
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue - Contracts		11,590
Total Deferred Inflows of Resources		11,590
Fund Balances:		
Restricted by:		
Oregon Constitution		1,465,237,766
Enabling Legislation		663,414,660
Total Fund Balances		2,128,652,426
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$	2,389,092,844

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2023

REVENUES		
Licenses and Fees	$	567,167
Federal		668,787
Charges for Services		311,612
Rebates and Recoveries		65,553
Fines, Forfeitures, and Penalties		100,214
Rents and Royalties		5,184,439
Investment Income		141,643,348
Sales		142,842
Unclaimed and Escheat Property Revenue		71,237,518
Other		22,730
Total Revenues		219,944,210
EXPENDITURES		
Personal Services		12,950,528
Services and Supplies		16,216,530
Intergovernmental		675,500
Capital Improvements		3,940,211
Debt Service:		
Principal		423,594
Interest		102,702
Investment Expenditures		7,368,876
Total Expenditures		41,677,941
Excess of Revenues Over Expenditures		178,266,269
OTHER FINANCING SOURCES (USES)		
Transfers from Other Funds		3,060,497
Transfers to Other Funds		(78,858,365)
Leases Incurred		132,689
Subscriptions		1,905,512
Insurance Recoveries		2,666,126
Total Other Financing Sources (Uses)		(71,093,541)
Net Change in Fund Balances		107,172,728
Fund Balances - Beginning		2,021,479,698
Fund Balances - Ending	$	2,128,652,426

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Common School Fund have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB).

A – THE REPORTING ENTITY

The Department of State Lands (Department) is the administrative agency of the State Land Board handling the day-to-day work of the board in managing the land and other resources dedicated to the Common School Fund. The State Land Board, which consists of the Governor, the Secretary of State, and the State Treasurer, is the trustee of the fund as outlined in the Oregon Constitution. The Oregon State Treasury (Treasury) began managing the Unclaimed Property Program starting the fiscal year 2022, which remains in the Common School Fund.

The Common School Fund, a governmental fund, was established at statehood and is intended to generate earnings to distribute to public schools. The Common School Fund accounts for programs that manage state-owned land, including a leasing program that generates annual revenues, for the benefit of the public school system. Estate funds that become the property of the state, unclaimed property, and income derived from unclaimed property are also accounted for in this fund. Statutory and constitutional provisions stipulate that the assets of the fund, including investment income, must be used for common school purposes. The primary funding sources for these programs include investment income, leasing revenues, forest management, unclaimed property receipts, and transfers from other funds.

B – FUND FINANCIAL STATEMENTS

The fund financial statements consist of a balance sheet and a statement of revenues, expenditures, and changes in fund balances. The statement of revenues, expenditures, and changes in fund balances reports revenues by type and expenditures by natural classification. Other financing sources and other financing uses are reported in the last section of the statement.

C – MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The Common School Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities existing at the end of the year. For this purpose, revenues are considered available if they are collected within 90 days of the end of the current fiscal year. Expenditures generally are recognized when a liability is incurred, as under accrual accounting. Information for receivables not expected to be collected within one year of the date of the financial statements and payables reported in the financial statements is discussed in Note 4.

D – DEPOSITS AND INVESTMENTS

Deposits

Cash deposits not held in a cash management or investment pool are classified as cash and cash equivalents. Cash deposits that are held in a cash management or investment pool are classified as cash and cash equivalents when the pool has the general characteristics of a demand deposit account. Cash and cash equivalents include: cash on hand, cash and investments held by the Office of the State Treasurer in the Oregon Short-Term Fund (OSTF), cash deposits held in demand deposit accounts with custodial banks, and cash deposits of debt proceeds in investment funds held by a trustee.

Investments

Investments are reported at fair value except for investments in the OSTF with remaining maturities of up to 90 days are carried at amortized cost, which approximates fair value. The Department and the Treasury report these investments as cash and cash equivalents on the balance sheet.

Changes in the fair value of investments are recognized as investment income (loss) in the current year.

The fair value of publicly traded debt and equity securities in active markets is determined by the custodian's pricing agent using nationally recognized pricing services. The custodian's pricing agent values equity securities traded on a national or international exchange at the last reported sales price and generally values debt securities by using evaluated bid prices. The fair value of publicly traded real estate investment trust securities is determined by the custodian's pricing agent using recognized pricing services and generally reflects the last reported sales price. For investments that do not have an active market, such as private placements or comingled investment vehicles, the value is stated at the net asset value of units held, or its equivalent, as reported by the fund manager or general partner.

Derivatives

In accordance with State investment policies, the Office of the State Treasurer participates in contracts that have derivative characteristics. Derivative instruments are used to hedge against fluctuations in foreign currency rates, and to manage the overall risk of investment portfolios. The fair value of all derivative instruments within the Common School Fund are reported on the balance sheet as investments, accounts and interest receivable, and accounts payable. The change in fair value for all Common School Fund derivative instruments is reported with investment income on the statement of revenues, expenditures, and changes in fund balances.

E – RECEIVABLES AND PAYABLES

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to other funds." Receivables consist of revenues earned or accrued in the current period and are shown net of estimated uncollectable accounts. Payables consist of amounts owed to vendors for operational expenditures, other state agencies for services received and investment liabilities outstanding.

F – INTERFUND TRANSACTIONS

Interfund transactions are transactions between the Common School Fund and other funds included in the Oregon Annual Comprehensive Financial Report. Interfund balances (due to/from other funds and advances to/from other funds) result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures/expenses occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Advances to/from other funds are not expected to be repaid within one year. See Note 7 for more in interfund transactions.

G – RESTRICTED ASSETS

Restricted cash and cash equivalents and restricted investments are held in trust for third parties in the Unclaimed Property Program.

H – FUND BALANCES

The difference between assets and liabilities plus deferred inflows of resources is labeled "Fund Balance" on the fund financial statements. Fund balance is reported in five components: (1) Non-spendable, (2) Restricted, (3) Committed, (4) Assigned, and (5) Unassigned.

Restricted fund balances are the result of constraints imposed by the law through constitutional provisions or enabling legislation or by parties outside the State, such as creditors, grantors, contributors, or laws or regulations of other governments. Common School Fund balances are all restricted.

For fund balance classification purposes, the Department and the Treasury determine the appropriate classification of each of their detail-level funds based on the resources accounted for in those funds and the constraints on spending those resources. The Department and the Treasury expend resources from the appropriate fund based on each fund's specific spending constraints. Ending fund balances, therefore, are the result of that spending.

I – IMPLEMENTATION OF GASB STATEMENT NO. 96

As of July 1, 2022, the Common School Fund adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA*). This standard requires recognition of capital outlay expenditures related to assets acquired under software subscription agreements and other financing sources for long-term subscriptions that were previously recorded as expenditures based on the provisions of the software subscription agreements. The implementation of this standard enhances the relevance and reliability of financial statements and establishes a SBITA asset and SBITA liability. The effect of the implementation of this standard required additional disclosures and are included in Note 5. The SBITA assets and SBITA liabilities are recorded on the State of Oregon's Annual Comprehensive Financial Report for the year ending June 30, 2023.

NOTE 2 – DEPOSITS AND INVESTMENTS

Common School Fund Investment Portfolio Held at Treasury

Investments of the Common School Fund held by the State Treasurer (Treasurer) require the exercise of prudent and reasonable care in the context of the Common School Fund's investment portfolio and as part of an overall investment strategy. The Treasurer is required to diversify investments unless it is not prudent to do so. In addition, the Treasurer must exercise reasonable care to incorporate risk and return objectives suitable to the particular investment fund. The Treasurer has a policy and procedure that addresses objectives and strategies for investments of the Common School Fund.

The Common School Fund's investment policies are governed by statute and the Oregon Investment Council (Council). The Treasurer is the investment officer for the Council and is responsible for the funds on deposit with the Treasury. The Treasurer works with the State Land Board to ensure implementation of the asset allocation policy that meets the business needs of the Common School Fund. The Council does not make asset allocation changes without considering input from the State Land Board. In accordance with Oregon statutes, the investment funds are invested, and the investments of those funds managed, as a prudent investor would do, exercising reasonable care, skill and caution. The Treasurer is authorized to use demand deposit accounts, fixed income investments, and direct equity investment transactions, although the majority of equity investments are directed by external investment managers under contract with the Council. Investments are managed around a 60% equity, 20% fixed income, 10% real estate, 5% real assets, and 5% diversifying strategies target with a range of plus or minus 5%, as detailed below. The Common School Fund's actual asset allocation is monitored monthly relative to established asset allocation policy targets and ranges. A deviation outside of any of the ranges triggers a review and rebalancing back toward the target asset allocation with due consideration given to the liquidity of the investments and transaction costs. Whenever possible, cash flows into and out of the fund are used to rebalance between asset classes. Cash is held only for business operating purposes.

Asset Class	Benchmark	Target Allocation	Range
Global Equities	MSCI ACWI IMI (Net)	45%	40% - 50%
Private Equities	Russell 3000 + 300 bps Index	15%	10% - 20%
	Total Equities	60%	50% - 70%
Fixed Income	Bloomberg US Aggregate Bond Index	20%	15% - 25%
Real Estate	NCREIF ODCE QTR Lag (Net)	10%	5% - 15%
Real Assets	CPI + 4%	5%	0% - 10%
Diversifying Strategies	HFRI FOF: Consv Index	5%	0% - 10%
Cash		0%	0% - 3%
Policy Mix	Weighted aggregate of indexes listed above at target allocation	100%	

Common School Fund Participation in the Oregon Short-Term Fund Held at Treasury

The Treasurer maintains the Oregon Short-Term Fund (OSTF), a cash and investment pool that is available for use by the Common School Fund. Because the pool operates as a demand deposit account, the Common School Fund portion of the OSTF is classified on the financial statements as cash and cash equivalents. Additional information about the OSTF can be found in the OSTF financial statements at:

https://www.oregon.gov/treasury/public-financial-services/oregon-short-term-funds/Pages/default.aspx

Common School Fund Investments Held Outside Treasury

Statutes govern the placement of investments of the Common School Fund held outside Treasury as part of trust agreements or mandatory asset holdings by regulatory agencies. The Common School Fund investment portfolio includes $98.7 million held outside Treasury and is reported as restricted investments on the balance sheet.

A – DEPOSITS

Custodial Credit Risk for Deposits

The custodial credit risk for deposits is the risk that, in the event of a depository financial institution failure, the Department and the Treasury will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Department and the Treasury do not have a formal policy regarding custodial credit risk for deposits. However, banking regulations and Oregon law establish the insurance and collateral requirements for deposit in the OSTF.

Oregon Revised Statutes (ORS) Chapter 295 governs the collateralization of public funds. Depositories are required to pledge collateral against any public fund deposits in excess of the deposit insurance amounts. This requirement provides additional protection for public funds in the event of a depository loss. ORS Chapter 295 sets the specific value of the collateral, as well as the types of collateral that are acceptable.

ORS Chapter 295 provides the statutory authority for the Public Funds Collateralization Program (PFCP). The Treasury uses an internally developed web application to administer the PFCP and facilitate depository, custodian, and public official compliance with ORS Chapter 295. Under the PFCP, depositories are required to report quarterly to Treasury, providing quarter-end public fund balances in excess of Federal Deposit Insurance Corporation (FDIC) or National Credit Union Administration (NCUA) limits. Depositories are also required to report their net worth and capitalization information. The FDIC or NCUA assigns each bank or credit union a capitalization category quarterly: well capitalized, adequately capitalized, or undercapitalized. Based on this information, the depository's minimum collateral required to be pledged with the custodian and the maximum liability in the pool of all depositories is calculated for the next quarter. The maximum liability is reported to the depository, Treasury, and the custodian.

Barring any exceptions, a depository is required to pledge collateral valued at no less than 10% of its last reported uninsured public fund deposits if the depository is well capitalized and as much as 110% if the depository is adequately capitalized, undercapitalized, or assigned to pledge 110% by Treasury.

There are three exceptions to this calculation, and any exceptions are required to be collateralized at 100%

1. A depository may not accept public fund deposits from one depositor in excess of the depository's net worth. If the depository has a drop in net worth that takes it out of compliance, the depository is required to post 100% collateral on any amount the depositor has in excess of the depository's net worth while working to eliminate that excess.
2. A depository may not hold aggregate public funds in excess of a percentage of the depository's net worth based on its capitalization category (100% for undercapitalization, 150% for adequately capitalized, 200% for well capitalized) unless approved for a period of 90 days or less by Treasury.
3. A depository may hold in excess of 30% of all aggregate public funds reported by all depositories holding Oregon public funds, only if the excess is collateralized at 100%.

Where interest bearing balances within the OSTF exceed the FDIC or NCUA amount of $250,000 the balances were covered by collateral held in the PFCP.

As of June 30, 2023, $1.2 million in other depository balances of the Common School Fund was held by AVENU not covered by the FDIC rules. However, the firms are members of the Securities Investor Protection Corporation (SIPC) which provides protection up to $500 thousand, of which $250 thousand applies to cash credit balances. Consequently, $250 thousand was insured by SIPC and $905 thousand was uninsured and held by the counterparty in the Treasury's name.

B – INVESTMENTS

Custodial Credit Risk

Custodial credit risk for investments of the Common School Fund is the risk that, in the event of the failure of the counterparty to a transaction, the State will not be able to recover the value of an investment or collateral securities in the possession of an outside party. The Council has no formal policy regarding the holding of the securities by a custodian or counter party. For the year ended June 30, 2023, no investment holdings of the Common School Fund held at Treasury were exposed to custodial credit risk.

As of June 30, 2023, the Common School Fund held $101.6 million in investments outside Treasury. AVENU and other investment firms held investments totaling $98.7 million. The firms are members of the Securities Investor Protection Corporation (SIPC) which provides protection up to $500 thousand of which a maximum of $250 thousand applies to cash credit balances. Investments outside Treasury also included $2.9 million of real estate property. All the investment holdings of the Common School Fund held outside Treasury other than the real estate property were registered in the Treasury's name and therefore not exposed to custodial credit risk. The real estate property is registered in the Department's name and therefore not exposed to custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk (variable in value) borne by an interest-bearing asset such as a loan or a bond, due to variability of interest rates. Approximately 25.62% of the Common School Fund's investment portfolio is invested in fixed income securities. Investment policy for fixed income investments of the Common School Fund is to maintain a well-diversified bond portfolio, managed to maximize total return, that reflects the overall characteristics of the Barclays Capital Universal Index Benchmark and to invest opportunistically, using innovative investment approaches within a controlled and defined portfolio allocation.

Credit Risk and Concentration of Credit Risk

Credit risk refers to the risk that a borrower will default on any type of debt by failing to make payments which it is obligated to make. Treasury investment policies for fixed income investments of the Common School Fund maintain an overall portfolio quality of at least "A" or higher, maintain an average bond duration level of plus or minus 20% of the Barclays Capital Universal Index. No more than 30% of the total fixed income portfolio at market value, may be maintained in securities rated less than Baa3. No more than 10% of the total fixed income portfolio, at market value, may be maintained in Rule 144A securities. No more than 25% of the fixed income allocation shall be invested in a single industry, or Government Agency. Use of leverage in any fixed income securities is not allowed (excluding use of securities in a securities lending program).

Interest Rate Sensitive Investments

The Common School Fund held approximately $109.1 million in debt instruments backed by pooled mortgages, TBAs (to-be-announced federal agency-issued mortgage pools), collateralized mortgage obligations (CMOs), or fixed rate mortgages. These securities represent a stream of principal and interest payments from underlying mortgages and consequently, the value of these securities can be volatile as interest rates fluctuate. Assets with these characteristics may also be susceptible to prepayment by mortgage holders which may result in a decrease in total interest realized. Additionally, the risk of default exits and collateral held may potentially be insufficient to cover the principal due. The Common School Fund also held approximately $9.3 million of asset-backed securities backed primarily by student loan and manufactured housing loan receivables.

The credit rating of the Common School Fund's investments held at Treasury and using the segmented time distribution method as of June 30, 2023, follows:

Investment Type	Credit Rating[1]	Investment Maturities (in years) Less than 1	1 to 5	6 to 10	More than 10 or none	Total Market Value
U.S. Treasury	Exempt	$ 2,974,473	$ 3,980,969	$ 2,141,259	$ 25,371,777	$ 34,468,478
U.S. Treasury TIPS	Exempt	-	-	2,994,301	-	2,994,301
Federal agency STRIPS	Exempt	14,762	-	-	3,420	18,182
U.S. Federal agency mortgages	Not Rated	17,664,803	246,446	2,409,299	69,249,500	89,570,048
Total U.S. government debt		20,654,039	4,227,414	7,544,859	94,624,697	127,051,009
Corporate bonds	AAA	-	1,441,750	-	98,267	1,540,017
	AA	-	1,695,088	478,862	1,149,884	3,323,834
	A	10,703,740	7,887,691	7,634,536	6,980,678	33,206,645
	BBB	11,479,395	17,539,279	14,453,391	14,775,516	58,247,581
	BB	1,626,073	3,838,330	1,549,837	2,138,011	9,152,251
	B	-	-	-	6,973	6,973
Total corporate bonds		23,809,208	32,402,138	24,116,626	25,149,329	105,477,301
Non-U.S. government debt	AA	2,848,221	-	-	-	2,848,221
	A	-	-	176,440	-	176,440
	BBB	-	1,681,974	1,415,499	10,661,422	13,758,895
	BB	-	-	-	857,189	857,189
	Not Rated	-	226,191	785,913	160,650	1,172,754
Total non-U.S. government debt		2,848,221	1,908,165	2,377,852	11,679,262	18,813,500
Asset-backed securities	AAA	1,282,898	851,120	-	706,937	2,840,955
	AA	1,823,693	-	-	205,486	2,029,179
	A	1,008,184	-	-	405,137	1,413,321
	BBB	857,625	198,514	-	264,727	1,320,866
	BB	335,373	-	-	-	335,373
	B	971,167	-	-	-	971,167
	CCC	17,881	-	-	-	17,881
	CC	118,799	-	-	-	118,799
	Not Rated	223,660	-	-	-	223,660
Total asset-backed securities		6,639,281	1,049,634	-	1,582,287	9,271,203
Collateralized mortgage obligations	AAA	4,365,365	-	-	-	4,365,365
	A	1,082,528	-	-	-	1,082,528
	BBB	2,561,440	-	-	-	2,561,440
	CCC	63,519	-	-	-	63,519
	Not Rated	70,896	-	-	-	70,896
Total collateralized mortgage obligations		8,143,749	-	-	-	8,143,749

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Investment Type	Credit Rating[1]	Investment Maturities (in years) Less than 1	1 to 5	6 to 10	More than 10 or none	Total Market Value
Collateralized mortgage-backed securities	AAA	5,846,919	-	-	2,300,670	8,147,589
	AA	1,582,103	-	-	890,711	2,472,814
	A	42,875	-	-	-	42,875
	BBB	-	-	-	26,267	26,267
	B	37,400	-	-	-	37,400
	CCC	4,837	-	-	-	4,837
	CC	5,775	-	-	-	5,775
	C	84,707	-	-	-	84,707
	Not Rated	546,941	-	-	-	546,941
Total collateralized mortgage-backed securities		8,151,558	-	-	3,217,647	11,369,204
Domestic fixed income funds	Not Rated	-	-	-	278,720,846	278,720,846
Total debt investments		$ 70,246,055	$ 39,587,351	$ 34,039,338	$414,974,067	558,846,811
Domestic equity securities						300,001,146
International equity securities						50,565,627
Domestic equity funds						300,573,912
International equity funds						473,077,669
Private equity holdings						173,714,519
Domestic real estate investment trusts						3,687,667
Real estate LP						5,165,044
Real estate open ended funds						194,539,280
Alternative diversifying strategies						82,117,341
Alternative real assets						38,904,686
Total investments held at Treasury						$2,181,193,702

[1] Investments of $34,468,478 in U.S. Treasury securities, $2,994,301 in U.S. Treasury Inflation Protected Securities (TIPS), $18,182 in Federal Agency STRIPS, and $21,441,132 in Government National Mortgage Association (GNMA), which are reported within U.S. Federal agency mortgages, are explicitly guaranteed by the U.S. government, and therefore, are exempt from credit risk disclosure requirements.

Investments Held at Treasury

Fixed income securities are classified using final maturity date or next rate reset date, whichever is sooner. Fixed income mutual funds are classified by effective duration, the measurement used by the fund manager.

Investments Held Outside Treasury

The following table shows the credit rating and segmented time distribution for Investments held outside Treasury as of June 30, 2023.

		Investment Maturities (in years)				
Investment Type	Credit Rating	Less than 1	1 to 5	6 to 10	More than 10 years	Total Market Value
U.S. Agency Securities	Exempt	$ -	$ -	$ 44	$ 34,060	$ 34,104
U.S. Agency Securities	Aaa	-	-	-	8,736	8,736
U.S. Treasury Strips	Exempt	994	-	-	-	994
GNMA	Exempt	-	-	-	24,842	24,842
Municipal Bonds	Aaa	-	-	-	5,015	5,015
Municipal Bonds	Aa	-	-	-	5,043	5,043
Municipal Bonds	Not Rated	-	-	24,984	103,777	128,762
International Debt Securities	Baa	-	6	-	-	6
Corporate Bonds	A	-	-	15,742	-	15,742
Corporate Bonds	Baa	-	27,058	46,524	-	73,582
Corporate Bonds	Ba	-	-	11,706	-	11,706
Corporate Bonds	Not Rated	3	81	20,812	2	20,898
Debt Investments		$ 997	$ 27,145	$119,812	$ 181,475	329,430
Mutual Funds						35,252,985
Domestic Equity Securities						62,943,552
International Equity Securities						145,008
Real Estate Investment Trust						26,582
Real Estate						2,905,000
Total Investments Held Outside Treasury						$101,602,556

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. State agencies are required to deposit moneys in state-qualified depositories under Oregon law. Exceptions due to foreign field offices and related circumstances are approved by the Treasurer. International debt securities denominated in U.S. dollars are not subject to currency risk if the investment's obligations will be paid in U.S. dollars. Investment policies for fixed income investments under the management of the Treasurer provides for investments of the Common School Fund in non-dollar denominated securities within a target allocation range of 20 to 30% of their portfolio. For investments not under the management of the Treasurer there are no formal policies on foreign currency risk. Deposits and investments exposed to foreign currency risk for the Common School Fund as of June 30, 2023, follow:

	Deposits and Investments (U.S. Dollars)			
Foreign Currency Denominations	Deposits	International Equity Securities	Non-US Government Debt	Total
Argentine Peso	$ 2,736	$ -	$ -	$ 2,736
Brazilian Real	-	756,448	-	756,448
Canadian Dollar	121,665	1,039,812	2,848,221	4,009,698
Euro	12	21,352,403	-	21,352,415
British Pound	18	51,224,842	-	51,224,860
Hong Kong Dollar	-	4,707,251	-	4,707,251
Japanese Yen	-	4,962,540	-	4,962,540
Korean Won	-	733,901	-	733,901
Mexican Peso	279,660	-	10,656,318	10,935,978
Russian Ruble	22,219	-	1,172,754	1,194,973
Swedish Krona	-	2,954,688	-	2,954,688
South African Rand	-	1,535,476	-	1,535,476
Total	$ 426,310	$ 89,267,361	$ 14,677,293	$ 104,370,964

C – FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the asset. The classification of investments within the fair value hierarchy is based upon the activity level in the market for the security type and the inputs used to determine their fair value, as follows:

Investments held by Treasury:

- Level 1 – Unadjusted quoted prices for identical instruments in active markets.
  - o Investments managed by Treasury: investments in equity securities, including exchange-traded derivatives, when their value is based on quoted prices from an active market; and real estate, which consist of investments in real estate investment trusts, when their valued based on an active market price.
  - o Investments not managed by Treasury: funds priced using a fair value per share that is published daily and validated with a sufficient level of observable activity; and equity securities, including exchange-traded derivatives, when their value is based on quoted prices from an active market.
- Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.

- Investments managed by Treasury: investments with remaining maturities of fewer than 90 days are carried at amortized cost, which approximates fair value; investments with maturities of greater than 90 days, debt securities, and investments not valued at fair value per share are valued using the latest bid prices or evaluated quotes from independent pricing vendors, which use a variety of methods when pricing these securities that incorporate relevant observable market data to arrive at an estimate of what a buyer in the marketplace would pay for a security under current market conditions; certain non-U.S. government commercial paper is reported at amortized cost as independent vendor pricing was not available; and where observable activity is limited, yet supports that the fair value per share represents an exit value of the security at the measurement date.
- Investments not managed by Treasury: debt securities are valued using the latest bid prices or evaluated quotes from independent pricing vendors, which use a variety of methods when pricing these securities that incorporate relevant observable market data to arrive at an estimate of what a buyer in the marketplace would pay for a security under current market conditions; and where observable activity is limited, yet supports that the fair value per share represents an exit value of the security at the measurement date.

- Level 3 – Valuations derived from valuation techniques in which significant inputs are unobservable.
  - Investments not managed by Treasury: in the absence of quoted market prices, such as equity securities that trade infrequently or not at all, valuations are based on the last traded price or prices provided by investment managers; and funds that do not meet the criteria to be measured at fair value because the fair value per share (or its equivalent) was not calculated in a manner consistent with the Governmental Accounting Standards Board's measurement principles for investment companies.

Investments that are measured at net asset value (NAV) as a practical expedient, such as most private equity, alternative, opportunity and real estate investments, are excluded from the fair value hierarchy if the NAV per share (or its equivalent) was calculated in a manner consistent with the Governmental Accounting Standards Board's measurement principles for investment companies.

Private equity consists of 16 funds, organized as limited partnerships and limited liability companies, participating in diversified strategies including leveraged-buyouts, venture capital, growth equity, fund of funds, co-investments and special situations. The fair values of the private equity investments have been determined using the NAV per share (or its equivalent) as provided by the general partner or managing member. These funds have a finite term. Distributions will be received as the underlying investments of the funds are liquidated, which is expected to occur over the next 12-14 years.

Investments in real estate, other than real estate investment trusts which are generally valued based on an active market price have been valued based on the NAV per share (or its equivalent), as provided by the general manager. This type includes three commingled real state funds, structured as limited partnerships, where the funds have a finite term. Distributions from the funds will be received as the underlying investments of the funds are liquidated. Liquidation is expected to take place during the five-year period following the termination of the investment period which extends to 2035. Real estate also includes investment in three open-ended funds that permit quarterly redemption of shares, subject to certain requirements being met.

Alternative equity funds seek to provide diversification and inflation hedging characteristics to the Common School Fund and includes investments with a focus on infrastructure. Alternative equity consists of 14 investments in commingled funds organized as limited partnerships and limited liability companies. The fair values of the investments have been determined using NAV per share (or its equivalent) of the investments as provided by the fund manager. For alternative real assets, which includes 4 of the 14 funds, the funds have a finite term. Distributions will be received as the underlying investments of the funds are liquidated, which is expected to occur over the next 8 to 12 years. Alternative diversifying strategies permit periodic redemption of shares, subject to certain requirements being met, and consist of 10 funds investing in diversifying hedge strategies.

Real estate property investments held outside of the Treasury are valued by appraisals using market sales approach and income approach. Collectibles held outside Treasury are valued using comparative sales.

The following table shows the fair value classification hierarchy for investments as of June 30, 2023:

Investments by Fair Value Level	**Fair Value Classification Heirarchy**			**Total**
	Level 1	**Level 2**	**Level 3**	**Investments**
Investments Held at Treasury				
U.S. Treasury	$ -	$ 34,468,478	$ -	$ 34,468,478
U.S. Treasury TIPS	-	2,994,301	-	2,994,301
U.S. Federal Agency Strips	-	18,182	-	18,182
U.S. Federal Agency Mortgages	-	89,570,048	-	89,570,048
Corporate Bonds	-	105,477,301	-	105,477,301
Non-US Government Debt	-	18,813,500	-	18,813,500
Asset-backed Securities	-	9,271,203	-	9,271,203
Collateralized Mortgage Obligations	-	8,143,748	-	8,143,748
Collateralized Mortgage-backed Securities	-	11,369,204	-	11,369,204
Total debt securities	-	280,125,965	-	280,125,965
Domestic equity securities	350,566,549	-	224	350,566,773
International equity funds	57,979,740	-	-	57,979,740
Real Estate Investment Trust	3,687,667	-	-	3,687,667
Investments measured at fair value	412,233,956	280,125,965	224	692,360,145
Investments Measured at Net Asset Value (NAV):				
Domestic equity funds				300,573,912
International equity funds				415,097,929
Domestic Fixed Income funds				278,720,846
Private equity				173,714,519
Real estate LP				5,165,044
Real estate open ended funds				194,539,280
Alternative diversifying strategies				82,117,341
Alternative real assets				38,904,686
Total investments measured at NAV				1,488,833,557
Total Investments Held at Treasury				2,181,193,702
Investments Held Outside Treasury				
U.S. agency securities	-	42,840	-	42,840
U.S. Treasury strips	-	994	-	994
GNMA	-	24,842	-	24,842
Municipal bonds	-	138,820	-	138,820
Corporate bonds	-	121,928	-	121,928
Domestic equity securities	62,934,096	9,455	-	62,943,552
International equity securities	145,008	-	-	145,008
Real Estate Investment Trust	26,582	-	-	26,582
Real Estate	-	-	2,905,000	2,905,000
International debt securities	-	6	-	6
Mutual funds	35,252,985	-	-	35,252,985
Total Investments Held Outside Treasury	98,358,671	338,885	2,905,000	101,602,556
Total Investments by fair value level	$510,592,627	$ 280,464,850	$2,905,224	$ 2,282,796,258

The following table shows the investments measured at net asset value per share (or its equivalent) including unfunded commitments and redemption as of June 30, 2023.

Investments Measured at Net Asset Value (NAV)	Fair Value	Unfunded Commitments[1]	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Domestic fixed income funds	$ 278,720,846	$ -	Daily	5 days
Domestic equity funds	300,573,912	-	Daily	2 days
International equity funds	415,097,929	-	Daily, Quarterly	2 - 120 days
Real estate LP	5,165,044	24,467,650	NA	NA
Real estate open-ended funds	194,539,280	4,089,172	Monthly, Quarterly	15 days
Alternative real assets	38,904,686	27,598,381	NA	NA
Alternative diversifying strategies	82,117,341	-	Monthly, Quarterly	2 - 65 days
Private equity	173,714,519	22,382,724	NA	NA
Total Investments at fair value	$ 1,488,833,557	$ 78,537,927		

[1] Excludes new commitments not yet funded at June 30, 2023.

D – SECURITIES LENDING

Common School Fund participates in securities lending transactions in accordance with State investment policies. The Treasury has, through a Securities Lending Agreement, authorized State Street Bank and Trust Company (State Street) to lend the Common School Fund securities pursuant to a form of loan agreement. Both the State and borrowers maintain the right to terminate all securities lending transactions on demand. There were no significant violations of the provisions of securities lending agreements during the year ended June 30, 2023.

During the year, State Street had the authority to loan short-term, fixed income, and equity securities and to receive as collateral U.S. dollar and foreign currency cash, U.S. government and agency securities, and foreign sovereign debt of Organization of Economic Cooperation and Development countries. Borrowers were required to deliver collateral for each loan equal to not less than 102% of the market value of the loaned U.S. securities, international fixed income securities, or 105% in the case of international equity. The custodian did not have the ability to pledge or sell collateral securities absent a borrower default, and during the fiscal year the State did impose restrictions on the amount of loans the custodian made on its behalf. The State is fully indemnified against losses due to borrower default by its custodian. There were no losses during the year from the failure of borrowers to return loaned securities and no recoveries of amounts from prior losses.

As of June 30, 2023, the fair value of cash and non-cash collateral received was $5.0 million and invested cash collateral was $4.0 million for Common School Fund. There were no significant violations of the provisions of securities lending agreements during the period of these financial statements.

State Street, as a lending agent, has created a fund to reinvest cash collateral received on behalf of the OSTF. Common School Fund receives an allocated portion of this activity based on its deposits in OSTF. As of June 30, 2023, Common School Fund's allocated portion of cash collateral received and invested cash collateral were $28 thousand and $28 thousand respectively. Securities on loan from OSTF in total included U.S. Treasury securities (12.44%), U.S. Agency securities (80.44%), and domestic fixed income securities (7.12%).

As permitted under the fund's Declaration of Trust, participant purchases and redemptions are transacted at $1 per unit ("constant value") based on the amortized cost of the fund's investments. Accordingly, the securities lending collateral held and the obligation to the lending agent are both stated at constant value on the balance sheet.

The maturities of investments made with cash collateral did not generally match the maturities of the securities loaned. Since the securities loaned are callable on demand by either the lender or borrower, the life of the loans at June 30, 2023, is effectively one day. On June 30, 2023, the Common School Fund had no credit risk exposure to borrowers because the amounts the State owes to borrowers exceed the amounts borrowers owe the State. The following table shows the combined balances of the securities on loan, cash and securities collateral received, and investments of cash collateral held.

Securities Lending as of June 30, 2023			
Investment Type	Cash and Securities Collateral Received	Securities on Loan at Fair Value	Investments of Cash Collateral at Fair Value
Domestic equity securities	$ 22,950	$ 21,879	$ 22,947
Domestic debt securities	3,946,960	3,887,857	3,915,350
International equity securities	1,015,014	963,300	14,412
	4,984,924	4,873,036	3,952,709
Allocation from Oregon Short-Term Fund	399,260	391,314	28,462
Total	$ 5,384,184	$ 5,264,350	$ 3,981,171

NOTE 3 – DERIVATIVES

Derivatives are financial instruments whose value is derived from underlying assets, reference rates, or indexes. They generally take the form of contracts in which two parties agree to make payments at a later date based on the value of the underlying assets, reference rates, or indexes. The main types of derivatives are futures, forwards, options and swaps. In the Common School Fund portfolio, forward currency exchange contracts may be used to gain exposure or hedge against the effects of fluctuations of foreign currency exchange rates. A foreign currency exchange contract is a forward contract that is a commitment to purchase or sell a foreign currency at the future date at a negotiated forward rate. Foreign currency forward contracts are privately negotiated contracts with customized terms and are transacted in over-the-counter markets. Risk associated with such contracts includes movement in the value of foreign currencies and the failure of the counter party to perform.

The following table shows the foreign currency exchange contracts subject to foreign currency risk within the Common School Fund as of June 30, 2023:

		Currency Forward Contracts		
Currency	Options	Net Receivables	Net Payables	Total Exposure
Canadian Dollar	$ -	$ 3,582	$ (11,440)	$ (7,858)
Mexican Peso	-	5,682	(321,146)	(315,464)
Total	$ -	$ 9,264	$ (332,586)	$ (323,322)

In the Common School Fund portfolio, rights and warrants are often obtained and held due to existing investments. Rights are the right, but not the obligation, to purchase newly issued equity shares, often in proportion to the number of shares currently owned, in a specific company, at a pre-established price on or within a predetermined date. A warrant provides the holder the right, but not the obligation, to purchase securities from the issuing entity at a specific price and within a certain period. Rights and warrants are privately transacted in over-the-counter markets. Both are subject to general market risk and liquidity risk.

The following table shows the related net depreciation in fair value amounts and the notional amounts of derivative instruments outstanding within the Common School Fund as of June 30, 2023:

Investment Derivatives	Net Appreciation/ (Depreciation) in Fair Value [1,4]	Classification	Fair Value [2]	Notional Value [3]
Foreign Exchange Forwards	$ (911,400)	Long Term Instruments	$ (323,321)	$ 5,677,449
Total	$ (911,400)		$ (323,321)	$ 5,677,449

[1] Negative values (in brackets) refer to losses
[2] Negative values refer to liabilities
[3] Notional may be a dollar amount or size of underlying for futures and options
[4] Excludes futures margin payments

The fair value of derivative instruments is reported on the balance sheet as investments, accounts and interest receivables, and accounts payable. Changes in fair value of derivative instruments during the fiscal year are reported on the statement of revenues, expenditures, and changes in fund balance as investment income.

NOTE 4 – RECEIVABLES AND PAYABLES

A – RECEIVABLES

The following table disaggregates receivable balances reported in the financial statements as accounts and interest receivable (net), and Net Contracts, Notes, and Other Receivables. Receivable reported for governmental activities as of June 30, 2023:

Accounts and Interest Receivables	Total
General accounts	$ 86,920
Interest	2,450,372
Investment broker receivable	6,965,223
Accounts and Interest Receivable, net	$ 9,502,515

Net Contracts, Notes, and Other Receivables	Total
Contracts, Notes, and Other Receivables	$ 124,149
Allowance for doubtful accounts	(112,559)
Net Contracts, Notes, and Other Receivables	$ 11,590

B – PAYABLES

The following table disaggregates accounts payable reported in the financial statements as general accounts payable and broker payable. Payables reported for governmental activities as of June 30, 2023:

Accounts Payable	Total
General accounts payable	$ 2,616,031
Investment broker payable	17,443,543
Total payables	$ 20,059,574

C – DEPOSIT LIABILITIES

Deposit liabilities consist of unclaimed property held in custody by the Treasury and the Department in perpetuity for the rightful owner as required by ORS 98.302-98.436 and 98.991-98.992. The unclaimed property liability is reported at approximately 50.4% of the total unclaimed property being held. Starting the fiscal year 2022, the Treasury took responsibilities for all new deposit liabilities. All deposit liabilities prior to the fiscal year 2022 remain the responsibility of the Department. The total legal liability for the unclaimed property program as of June 30, 2023, was $997.5 million. The accumulated annual adjustment as of June 30, 2023, was $761.7 million.

NOTE 5 – LEASES AND SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITAs)

A – LEASES - LESSEE

The Department and the Treasury have various non-cancelable rental agreements for buildings and equipment with non-state entities that are accounted under the lease guidance GASB Standard No. 87, *Leases*. For the year ended June 30, 2023, the Treasury reported the lease purchase revenue as leases incurred in the amount of $133 thousand in other financing sources (uses) whereas the lease purchase expenditure is reported in capital improvements in the amount of $133 thousand. The principal and interest payments are reported as debt service payments in the amount of $160 thousand and $93 thousand, respectively. Lease liabilities and assets are recorded in the State of Oregon's Annual Comprehensive Financial Report for the year ended June 30, 2023, Statement of Net Position. There is no residual value guarantee in these lease contracts. Land is pledged as a collateral security to one of the leased building contracts. The following table shows future minimum lease payments and the related net present value as of June 30, 2023:

Year ending June 30,	Principal	Interest
2024	$ 174,545	$ 96,375
2025	199,395	94,701
2026	223,082	90,680
2027	244,543	86,234
2028	261,006	81,414
2029-2033	955,673	337,104
2034-2038	2,297,858	243,777
Total	$ 4,356,102	$ 1,030,285

B – SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITAs)

The Treasury has one non-cancelable Subscription-Based Information Technology Arrangement (SBITA) with non-state entities that are accounted for under the new guidance GASB Standard No. 96, *Subscription-Based Information Technology Arrangements* related to the unclaimed property software system (KAPS). The

Department has entered into an additional subscription contract that has not yet been commenced, of which a total of $2.7 million has been committed for the year ending June 30, 2023, related to implementation cost. The subscription for software related to the Department's Land Administration System Replacement Project is estimated to commence in October of 2025 and will be recognized by the Department at that time. The SBITA revenue is reported as subscriptions in the amount of $1.9 million in other financing sources (uses) whereas the SBITA expenditure is reported in capital improvements in the amount of $1.9 million. The principal and interest payments are reported as debt service payments in the amount of $264 thousand and $10 thousand, respectively. SBITA liabilities and assets are recorded in the State of Oregon's Annual Comprehensive Financial Report for the year ended June 30, 2023, Statement of Net Position. The following table shows future minimum SBITA payments and the related net present value as of June 30, 2023:

Year ending June 30,	Principal	Interest
2024	$ 232,942	$ 48,435
2025	248,255	41,564
2026	264,273	34,240
2027	281,024	26,444
2028	298,539	18,154
2029-2033	316,846	9,347
Total	$ 1,641,879	$ 178,184

C – LEASE RECEIVABLES

The Department receives rental income from land and property leased to non-state entities. For the year ended June 30, 2023, the Department received rental income of $61 thousand on leased assets with a fair market value of $2.9 million. The leased assets are considered investments of the Department and is excluded from the lease guidance GASB Standard No. 87, *Leases*. Future minimum lease revenues for non-cancelable leases as of June 30, 2023:

Year ending June 30,	Amount
2024	$ 63,199
2025	65,095
2026	67,048
2027	69,060
2028	71,132
2029-2033	54,540
Total future minimum rental revenues	$ 390,074

NOTE 6 – POLLUTION REMEDIATION OBLIGATION

Pollution remediation obligations address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities. This includes pre-cleanup activities, cleanup activities, government oversight and enforcement-related activities and post remediation monitoring. Excluded from pollution remediation obligations are obligations for pollution prevention and control activities, fines and penalties, landfill closure and post closure care, and other future remediation activities required upon retirement of an asset. The Common School Fund recognizes a pollution remediation obligation when it can reasonably estimate the range of expected cash outlays.

The Department is involved in negotiations related to a confidential, non-judicial mediation process that will result in an allocation of costs associated with investigation and cleanup of contamination of the in-river portions of the Portland Harbor Superfund site. There are over 100 parties, private and public, that may eventually bear a share of the costs. The Environmental Protection Agency (EPA) issued a Record of Decision estimating the cleanup to cost $1.1 billion and take approximately 13 years to complete. It is too early to estimate the total cleanup costs that may be shared by the liable parties and what portion of that will be assessed against the Common School Fund. The Portland Harbor Superfund site is discussed in greater detail in Note 12.

On May 31, 2019, the Department entered into a settlement agreement for funding remedial design with the EPA, Oregon Department of Transportation, and the City of Portland for the Portland Harbor Superfund site cleanup. The EPA settlement agreement for funding remedial design requires the State to pay $6 million to EPA in July 2019 and up to $6 million by June 2021, not to exceed $12 million in total. The EPA informed the Department that the second payment of $6 million for remedial design was not necessary.

As of June 30, 2023, the Department has remaining contracts for Portland Harbor cleanup activities estimated at $647 thousand. The pollution remediation obligation of $647 thousand for the Portland Harbor Superfund site is recorded in the State of Oregon's Annual Comprehensive Financial Report for the year ended June 30, 2023, Statement of Net Position.

NOTE 7 – INTERFUND TRANSACTIONS

Interfund balances reported in the financial statements as of June 30, 2023:

	Due from Other Funds		
Due to Other Funds	**General**	**Environmental Management**	**Common School**
Environmental Management	$ -	$ -	$ 342,802
Common School	2,025	164,260	-
Capital Projects	-	-	401
Other Custodial	-	-	6,191
Total	$ 2,025	$ 164,260	$ 349,394

	Advances from Other Funds		
Advances to Other Funds			**Common School**
Environmental Management	$ -	$ -	$ 300,000

Interfund balances result from the time lag between the date a transaction for interfund goods and services or reimbursable expenditures is recorded and the date the payment between funds is made. Advances to other funds are not expected to be repaid within one year.

NOTE 8 – RELATED PARTY TRANSACTIONS

The Oregon State Treasurer (Treasurer) is a constitutional officer within the executive branch of the state of Oregon, elected by statewide vote. As chief financial officer for the state, the Treasurer heads the Oregon State Treasury (Treasury). Treasury acts as the central bank for all state agencies and is the largest financial institution in the state. Treasury manages the portfolio of investments for the state's funds, including the Common School Fund.

The State Land Board, which consists of the Governor, Secretary of State and Treasurer, is the trustee of the Common School Fund as outlined in the Oregon Constitution. The Common School Fund's investment policies are governed by statute and the Oregon Investment Council. The Treasurer is the investment officer for the Investment Council. During the year ended June 30, 2023, the Common School Fund paid Treasury $626 thousand in fees for the management of the Common School Fund investment portfolio.

NOTE 9 – RISK FINANCING

The State of Oregon administers property and casualty programs covering State government through its Insurance Fund. The Insurance Fund services claims for: direct physical loss or damage to state property; tort liability claims brought against the State, its officers, employees or agents, workers' compensation; employee dishonesty; and faithful performance coverage for certain positions by law to be covered and other key positions.

As state agencies, the Department and the Treasury participate in the Insurance Fund. The cost of servicing insurance claims and payments is covered by charging an assessment to each entity based on its share of services provided in a prior period. The total statewide coverage assessment is based on independent biennial actuarial forecasts and administrative expenses, less carry-forward or equity in the insurance fund. For the Common School Fund, the amount of claim settlements did not exceed insurance coverage for each of the past three years.

NOTE 10 – FUND BALANCES

Restricted fund balances result from constraints imposed by law through constitutional provisions or enabling legislation or by parties outside the State, such as creditors, grantors, contributors, or laws or regulations of other governments. Enabling legislation authorizes the Department to levy, access, charge, or otherwise mandated payment from external resource providers and includes a legally enforceable requirement that those resources be used only for specific purposes stipulated by the legislation. As of June 30, 2023, the Common School fund balance of $2.1 billion is restricted for K-12 Education.

NOTE 11 – COMMITMENTS

Commitments are defined as existing arrangements to enter into future transactions or events, such as contractual obligations with vendors for future purchases or services at specified prices and sometimes at specified quantities. Commitments may also include agreements to make grants and loans.

As of June 30, 2023, the Department had the following personal services contract commitments in effect:

Funding Source	Total
Other Funds	$ 24,233,292

The Oregon Investment Council has entered into agreements that commit the investment managers for the Common School Fund, upon request, to additional investment purchases up to a predetermined amount. As of June 30, 2023, the Common School Fund had approximately $242.4 million in commitments to purchase private equity, alternatives and real estate open-ended fund investments. These amounts are unfunded and are not recorded in the financial statements.

NOTE 12 – CONTINGENCIES

PORTLAND HARBOR SUPERFUND SITE

The Department is currently involved in a confidential, non-judicial allocation and mediation process related to environmental contamination in the Portland Harbor. In 2000, the U.S. Environmental Protection Agency (EPA) listed an approximately 10-mile stretch of the lower Willamette River area (Site) as a Superfund site under the federal Superfund law (CERCLA). EPA has identified over 100 parties as potentially responsible under CERCLA for costs related to investigation and cleanup of hazardous substances at the Site, including the State of Oregon, acting by through the Department as well as the Department of Transportation (ODOT).

EPA alleges the release of hazardous substances from third-party activities on submerged and submersible leased lands owned by the State in trust for the public and managed by the Department within the Site. Under CERCLA, responsible parties can be held jointly and severally liable for all costs, subject to certain defenses.

In 2017, EPA issued its final cleanup plan for the Site called the “Record of Decision” (ROD). The ROD requires active remediation (through dredging, capping, enhanced natural recovery, and monitored natural recovery) of nearly 400 acres of contaminated sediments and over 20,000 lineal feet of riverbank. EPA’s initial estimate for full performance of the remedy was $1.05 billion and 13 years; other parties estimate that it is a $3 billion remedy that will take 20 years to complete. Liable parties under CERCLA are responsible for funding this remedial action, as well as preliminary actions such as additional investigations, remedial design, and agency oversight. EPA has asked potentially responsible parties (PRPs) to step forward to perform components of the ROD or risk an enforcement action. Numerous parties, including the Department and ODOT, have entered into Administrative Settlements and Orders on Consent with EPA to perform pre-remedial design and related work.

A group of Portland Harbor PRPs are engaged in a confidential, non-binding private mediation process to achieve an allocation of responsibility for the costs of implementing the ROD among the responsible parties. If successful, the process will culminate in the parties developing a comprehensive settlement proposal to EPA based on the allocation. If accepted by EPA, the settlement will be memorialized in a judicial Consent Decree filed in the Oregon federal district court. The State is participating in this non-judicial allocation by and through the Department and ODOT. It is not possible to predict the relative share of cleanup costs that will be assigned to each agency through this confidential mediation or, should it fail, through litigation.

It is also too early to predict when the mediation will conclude or whether it will result in a durable comprehensive settlement with EPA.

Separately, the Portland Harbor natural resource trustees, a group composed of five tribes, two federal agencies and the State, acting through its trustee, the Oregon Department of Fish and Wildlife, are asserting a CERCLA claim for natural resource damages (NRD) against all Portland Harbor PRPs, including the Department and ODOT. The trustees have initiated a cooperative injury assessment process funded by thirty parties, the goal of which is to reach settlements of the NRD claim based on readily available information. The State is seeking a settlement of its NRD liabilities through this process.

The State has pursued claims for insurance coverage of its Portland Harbor defense costs and expects to make additional insurance claims in the future for its eventual liabilities for cleanup costs and NRD. These claims are based on commercial general liability insurance policies that the State held between 1968 and 1972 and on insurance policies that listed the Department and ODOT as additional insureds. The State has executed a settlement agreement with several of its insurers regarding their obligation to pay for most of the State's defense costs through 2024, but the insurers have reserved their rights to deny indemnity coverage.

OTHER REPORTS

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CPAs & BUSINESS ADVISORS

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

State Land Board
Oregon Department of State Lands
Salem, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Common School Fund, a major governmental fund of the State of Oregon, which comprise the balance sheet as June 30, 2023, and the related statement of revenues, expenditures, and changes in fund balances for the year ended, and the related notes to the financial statements, which collectively comprise the Common School Fund's basic financial statements and have issued our report thereon dated November 6, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Common School Fund 's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Common School Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Common School Fund's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 2023-001 that we consider to be material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Common School Fund 's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Common School Fund's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Common School Fund 's response to the finding identified in our audit and described in the accompanying Schedule of Findings and Responses. The Common School Fund 's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Boise, Idaho
November 6, 2023

2023-001 Unclaimed Property Valuation-Material Weakness

Criteria:
Management should have an internal control system in place designed to provide for the calculation of the deposit liabilities that do not require significant adjustments during the audit process.

Condition:
As part of our audit procedures, we identified an error in the calculation of the deposit liabilities regarding the estimated unclaimed amount. This amount had to be corrected during the course of the audit fieldwork. In addition, we noted the deposit liability used to determine the estimated unclaimed amount did not reconcile to the general ledger.

Cause:
Controls were not operating effectively to ensure the journal entry to record the annual adjustment for estimated unclaimed amount was correct. The Treasury department could not get holder year information on claims paid into the general ledger to calculate the estimated liability which resulted in a difference between the between the general ledger and claim system (KAPS) as of June 30, 2023.

Effect:
The deposit liability was understated by $39,490,223 and had to be corrected through the audit adjustment process. The deposit liability used to determine the unclaimed amount did not reconcile to the general ledger by $3,384,341. The unreconciled amount between the general ledger and claims system could become material if not researched and resolved timely.

Recommendation:
We recommend additional layers of review over the annual unclaimed property valuation be implemented to ensure the deposit liability is materially correct. We recommend the Treasury's claims system (KAPS) be reconciled to general ledger monthly to ensure all variances are researched (i.e. holder year information is identified) and resolved.

View of Responsible Officials:
We concur with the recommendation as stated.

Oregon
Tina Kotek, Governor

Department of State Lands
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M E M O R A N D U M

Date February 13, 2024

To: Governor Tina Kotek
Secretary of State LaVonne Griffin-Valade
State Treasurer Tobias Read

From: Vicki L. Walker
Director

Subject: Oregon Department of Forestry's Report on Common School Forest Lands

During fiscal year 2023 the Oregon Department of Forestry (ODF) managed 33,005 acres of Common School Forest Land.

As trustee, the State Land Board oversees management to provide Oregonians the greatest benefit, consistent with resource conservation and sound land management strategies. Within this context, these lands are managed to maximize revenue to the state's Common School Fund.

The enclosed report prepared by ODF includes information related to timber management (volume and value of harvested, sold and planned timber sales), fiscal year operating costs, revenue transferred to the Common School Fund, reforestation, intensive management accomplishments and costs, and other information affecting land management and operations.

APPENDICES

Appendix A – Common School Forest Land Annual Report (Fiscal Year 2023)

Common School Forest Land Annual Report

FISCAL YEAR 2023

Prepared by the Oregon Department of Forestry

February 2024

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Annual Report Located at:
https://www.oregon.gov/ODF/Pages/Reports.aspx

Executive Summary

DATE: February 13, 2024

TO: Governor Tina Kotek
Secretary of State LaVonne Griffin-Valade
State Treasurer Tobias Read

FROM: Cal Mukumoto, Oregon State Forester

SUBJECT: Fiscal Year 2023 Annual Report for Common School Forest Land

During fiscal year 2023 the Oregon Department of Forestry (ODF) managed 33,005 acres of Common School Forest Land (CSFL). As trustee of the CSFL, the State Land Board (SLB) oversees management to provide Oregonians the greatest benefit, consistent with resource conservation and sound land management strategies. Within this context, these lands are managed to maximize revenue to the state's Common School Fund (CSF) through an agreement among ODF, the SLB and the Department of State Lands (DSL). The DSL 2012 Real Estate Asset Management Plan states that these lands are "managed primarily to produce merchantable timber on a sustainable basis in accordance with plans adopted by the Land Board in cooperation with the Board of Forestry." Net revenues generated from CSFL are dedicated to the CSF.

This agreement and partnership among ODF, DSL and the SLB requires ODF to present an annual report regarding the status of management of CSFL. This status report includes information related to timber management (volume and value of harvested, sold and planned timber sales), fiscal year operating costs, revenue transferred to the CSF, reforestation, intensive management accomplishments and costs, and other information affecting CSFL management and operations.

Fiscal Year 2023 Harvest and Revenue

In 2023, net operating income decreased to 1.2 million due to decreased volume harvested from CSF timber sales. ODF continues stewardship of 33,005 acres of CSFL through active management, supervising and administering timber operations, monitoring environmental successes and sustaining critical wildlife habitat areas.

A number of reforestation and replanting projects were completed successfully, and young stand management activities continue to actively grow healthy, sustainable forests for future generations – providing a range of longer-term natural benefits such as wood products, diverse ecosystems and habitat, and clean air and water.

1. CSFL Harvest Volume:
    a. 6.59 MMBF
    b. 36 percent decrease from FY 2022

2. Revenue Transfers to CSF:
    a. $2.75 million
    b. 13.1 percent decrease from FY 2022

3. Net Operating Income (NOI): NOI is the total revenue received by ODF minus management costs. It is influenced by the same factors that affect volume and value, as well as management expenses.
    a. $1,226,043
    b. 35.2 percent decrease from FY 2022

4. CSFL Management costs:
    a. $1.53 million
    b. 19.4 percent increase from FY 2022

5. CSFL sales sold in FY 2023 (not yet harvested)
    a. 7.73 MMBF
    b. Approximately $3.75 million in timber sale value (prior to CSFL management costs)

Other Forest Management Activities
Reforestation and young stand management are integral to ensuring a sustainable flow of wood and future habitat development. On CSFL in FY 2023, 180 acres were reforested and 982 acres received young-stand management treatment, improving overall forest health and future growth.

This annual report summarizes CSFL management activities from July 1, 2022 through June 30, 2023.

Financial and Asset Management

Overview

This report primarily focuses on FY 2023 (July 1, 2022 through June 30, 2023). However, forest management often requires evaluating trends in revenue and costs for previous biennia (e.g., sales approved in one year's operating plan may be harvested over one to three subsequent years). Revenue transferred to the CSF from management of CSFL has varied over the past 10 years from $1.9 million to $6.4 million annually. This time period includes fiscal years prior to July 1, 2017, when ODF managed the Elliott State Forest.

The primary factors influencing revenue fluctuations include: housing starts, lumber prices, harvest timing, individual sale volumes and value, changing ratios between harvests on CSFL and Board of Forestry lands (BOFL), Endangered Species Act protection measures and uncertainty and constraints associated with litigation.

Net Operating Income (NOI)

NOI for CSFL for FY 2023 was $1,226,043. NOI was calculated by subtracting costs from total revenue transferred to DSL. NOI ranged from $532,241 to $1.9 million for CSFL in the past 5 years (Table 1).

[1]Table 1: Net Operating Income	
FY2023	**$1,226,043**
FY2022	$1,890,650
FY2021	$1,119,587
FY2020	$1,103,223
FY2019	$532,241
5 Year Average	**$1,174,349**

[1] Previous reports calculated NOI as total revenue invoiced minus total costs, for FY 2018 and FY 2019. This created confusion in the past (i.e., invoiced versus transferred), so it has been updated here for consistency. Previous reports will not be updated.

Annual Revenue

Annual revenue is reported throughout this report, with influencing factors included for context.

Fiscal Year 2023 Revenue and Investment Costs

During FY 2023, $2.75 million in revenue was transferred to DSL (Table 2). Total charges for managing the CSFL totaled $1.53 million during FY 2023 (Table 2). These expenditures include State Forests Division personnel in Salem, three regional areas, and seven districts. The units are responsible for timber sale contract development and compliance, reforestation and intensive management activities, Endangered Species Act compliance, research and monitoring, forest planning and public engagement, and overall program administration.

Other charges to the CSF, referred to as "Net Revenue Transfers," totaled $216,952 in FY 2023 (Table 3). This is approximately 14 percent of total overall costs. Revenue transfers include a prorated portion of ODF’s total costs for capital improvement projects, debt service, and seed orchard management.

Revenue transfers include a portion of overall agency administration prorate which totaled $211,746. It is ODF’s goal to ensure that allocation of agency administrative costs accurately reflects work performed by administrative and managerial staff, and that each program pays their appropriate share of administrative costs.

J.E. Schroeder Seed Orchard costs for FY 2023 were $4,507. These funds were used to produce genetically improved seed (superior growth, wood quality, and disease tolerant characteristics as identified through traditional breeding and selection methods) appropriate for reforesting state forestlands.

The fire protection cost for 33,005 acres of ODF managed CSFL was approximately $149,342.

CSFL Revenues and Expenditures for FY 2023

Table 2: CSFL Revenues and Expenditures					
Expenditures and Transfers					
Category	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**
T & E Surveys	$86,288	$108,828	$95,611	$114,930	$118,627
Salem Program	$183,254	$297,652	$423,562	$400,838	$450,049
Total Salem Expenditures	$269,542	$406,480	$519,173	$515,768	$568,676
Total District Expenditures	$653,170	$690,803	$513,752	$536,027	$744,845
Administrative Transfers	$444,470	$398,296	$416,313	$228,753	$215,082
Total Expenditures + Transfers	**$1,367,182**	**$1,495,579**	**$1,449,238**	**$1,280,549**	**$1,528,603**
District Expenditures Prorated by Acres					
District	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**
Tillamook	$184,428.21	$204,029	$231,463	$199,248	$225,270
Astoria	$109,456.59	$96,496	$92,877	$85,222	$98,892
Forest Grove	$37,185.61	$29,817	$32,280	$28,991	$30,155
West Oregon	$361,443.13	$460,863	$373,341	$348,211	$390,496
North Cascade	$44,683.30	$42,794	$58,752	$52,947	$62,003
Western Lane	$429,292.33	$437,344	$424,068	$346,344	$467,494
Klamath-Lake	$200,692.84	$224,237	$236,456	$219,588	$254,293
Total Expenditures + Transfers	**$1,367,182**	**$1,495,579**	**$1,449,238**	**$1,280,549**	**$1,528,603**
CSFL Revenues					
District	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**
Tillamook	$127,484	$97,366	$54,561	$59,633	$220,166
Astoria	$482,885	$694,366	$2,881	$108,384	$841,037
Forest Grove	$322,422	$635,519	$1,542,376	$138,506	$540,195
West Oregon	$1,254,904	$664,469	$737,436	$1,754,192	$822,698
North Cascade	$262	$2	$2,325	$472,768	$0
Western Lane	$83,850	$356,548	$229,749	$637,707	$113,268
Klamath-Lake	$47,910	$143,529	($503)	$9	$217,283
Revenues Transferred to DSL	**$2,319,717**	**$2,591,799**	**$2,568,825**	**$3,171,199**	**$2,754,647**

Details of FY 2023 Administrative Costs

Table 3: Details of FY 2023 Administrative Transfer Costs	
Administrative Revenue Transfers	**Amount**
Administrative Prorate Charge	**$211,746**
J.E. Schroeder Seed Orchard	**$4,507**
Residual Equity	**$699**
Bond Principal	**$0**
Bond Interest	**$0**
ADMINISTRATIVE TRANSFER COSTS TOTAL	**$216,952**

CSFL Historical Timber Harvest Value, Volume and Average Stumpage Prices for Fiscal Years 2014 – 2023

Table 4: Common School Forest Land Historical Timber Harvest Value, Volume and Average Stumpage Price
Fiscal Years 2014 through 2023

Fiscal Year	[3] Timber Sales Value of Timber Removed	Timber Harvest Volume (MMBF) Removed	[2]Average Sold Sale Stumpage Price/MBF	Average Stumpage Harvested Price/MBF
2023	$2,445,252	6.589	$485	$371
2022	$4,641,474	10.358	$454	$448
2021	$2,034,439	4.242	$404	$480
2020	$2,597,050	5.590	$439	$465
2019	$2,057,269	4.671	$170	$440
2018	$1,534,693	3.573	$476	$430
2017 Elliott State Forest (Coos District)	$2,691,137	7.758	$347	$347
2017 Other CSFL	$1,152,934	2.765	$413	$417
Total 2017	**$3,844,071**	**10.523**	**$413**	**$365**
2016 Elliott State Forest (Coos District)	$3,416,945	7.990	$327	$428
2016 Other CSFL	$2,454,497	6.170	$347	$398
Total 2016	**$5,871,441**	**14.160**	**$332**	**$415**
2015 Elliott State Forest (Coos District)	$3,592,162	8.260	$436	$435
2015 Other CSFL	$2,367,124	6.990	$356	$339
Total 2015	**$5,959,286**	**15.250**	**$375**	**$391**
2014 Elliott State Forest	$2,524,725	6.960	$434	$363
2014 Other CSFL	$1,503,429	4.000	$205	$376
Total 2014	**$4,028,154**	**10.960**	**$411**	**$368**
Last 5 Year Average	**$2,755,097**	**6.290**	**$390**	**$441**
10 Year Average	**$3,501,313**	**8.6**	**$396**	**$417**

[2] Average stumpage for new sales sold during the fiscal year and is not related to the harvested volume and value columns, which cover harvests spanning multiple fiscal years.
[3] Timber Sale Value is gross timber sales value before project work credits have been subtracted.

Forest Land Management

During FY 2023 ODF managed 33,005 acres of CSFL (Table 5). Activities conducted on CSFL managed by ODF include: timber harvest, reforestation and young stand management, and road construction and maintenance.

Timber Management Activities

A total of 12 active sales were harvested in FY 2023, producing 6.59 mmbf of volume with a value of $2,445,252 (Table 7). In addition, there were 7 sales sold in FY 2023, totaling approximately 7.73 mmbf of timber volume (Table 6).

All planned sales on CSFL in FY 2024 are estimated to produce 2.16 mmbf of timber volume with a net value of $768,459 (Table 8).

Reforestation and young stand management activities such as site preparation, planting and thinning are used to promote healthy and productive forest land. Table 9 summarizes planned and completed acres and costs for these activities on CSFL.

Table 10 provides information about the road system management on CSFL by District and County.

Table 5: Common School Forest Lands Managed by ODF

COUNTY	CSFL ACRES
BENTON	563
CLACKAMAS	113
CLATSOP	2,060
COLUMBIA	80
COOS	720
CURRY	1,352
DOUGLAS	1,908
JACKSON	1,622
JOSEPHINE	3,961
KLAMATH	6,827
LANE	907
LINCOLN	4,477
LINN	90
MARION	720
POLK	1,690
TILLAMOOK	5,584
WASHINGTON	250
YAMHILL	80
GRAND TOTAL:	**33,005**

Source: ODF, 07/6/23

Report is based on legal acres not GIS acres

Timber Sales Sold During FY 2023

Table 6. Common School Forest Lands Timber Sales Sold in Fiscal Year 2023										
Sale Name	**ODF District**	**CSFL % of Sale**	**Total Sale Volume (Mbf)**	**CSFL Volume (Mbf)**	**CSFL Acres Partial Cut**	**CSFL Acres Regen.**	**Total Project Costs**	**CSFL Project Costs**	**Net Sale Value (BOF + CSFL)**	**Net CSFL Value**
Cup of Joe	Astoria	20%	1,260	246	0	14	$44,684	$8,713	$345,550	**$67,382**
Gates Go Back	North Cascade	100%	50	50	0	3	0	$0	$18,480	**$18,480**
Long John	West Oregon	40%	3,810	1516	3	45	$83,442	$33,210	$2,523,476	**$1,004,343**
Mahrvelous	West Oregon	25%	4,070	1031	0	21	$129,258	$32,728	$2,325,693	**$588,865**
Maple Gulch	Western Lane	100%	999	999	0	48	$58,509	$58,509	$453,074	**$453,074**
Roger Miller Combo	West Oregon	22%	2,341	521	12	18	$93,810	$20,873	$1,158,961	**$257,869**
Wooden Corners	Tillamook	61%	5,519	3364	0	122	$187,640	$114,385	$2,225,164	**$1,356,460**
		Totals	**18,049**	**7,727**	**15**	**271**	**$597,343**	**$268,418**	**$9,050,396**	**$3,746,473**

All dollar amounts are rounded to the nearest whole dollar.

Activity Summary for FY 2023

Table 7. Active Timber Sales on Common School Forest Lands Volume and Value, Fiscal Year 2023					
Sale Name	**District**	**Sale No.**	**%CSFL**	**MMBF Harvested**	**Value CSFL**
Beaver Nation	Tillamook	TL-341-2020-W00288-01	43%	0.18	$50,412.95
Blue Bucket	Astoria	AT-341-2022-W00586-01	52%	2.43	$1,001,702.15
Cline Miller Thin	West Oregon	WO-341-2021-W00360-01	4%	0.00	$46.10
Duchess and the Duke	Forest Grove	FG-341-2020-W00544-01	84%	1.45	$731,232.86
Hamlet 8	Astoria	AT-341-2021-W00828-01	0%	0.00	$232.94
Harlan Hangover	West Oregon	WO-341-2021-W00685-01	33%	0.18	$108,597.50
Little Thin on the Prairie	West Oregon	WO-341-2021-W00362-01	100%	0.57	$149,146.55
Long John	West Oregon	WO-341-2023-W00902-01	40%	0.00	$341.21
Mahrvelous	West Oregon	WO-341-2023-W00996-01	25%	0.01	$7,007.34
Manzanita Woman	Klamath	KL-341-2019-W00513-01	100%	1.50	$248,607.27
Rebott	West Oregon	WO-341-2022-W00683-01	62%	0.24	$136,874.50
Wooden Corners	Tillamook	TL-341-2023-W00851-01	61%	0.03	$11,050.42
			Total	**6.59**	**$2,445,252**

Planned Timber Sales for FY 2024

Table 8: Annual Operation Plan Timber Sales Planned in CSFL in FY 2024									
Sale Name	**ODF District**	**CSFL Percent of Sale**	**Timber Sale Volume (MBF)**	**CSFL Volume (MBF)**	**CSFL Acres Regen Cut**	**CSFL Acres Partial Cut**	**Total Sale Value**	**CSFL Project Costs**	**Net CSFL Value**
Lone Steere Thin	West Oregon	100%	400	400	0	64	$112,000	$30,536	$81,464
Salmon Forks Combo	West Oregon	9%	1,900	171	5	6	$652,750	$5,953	$52,795
Middle Cole	Astoria	61%	2,600	1,586	32	0	$1,201,980	$99,008	$634,200
		Total	**4,900**	**2,157**	**37**	**70**	**$1,966,730**	**$135,497**	**$768,459**

Reforestation and Young Stand Management for FY 2023

Table 9: Young Stand Management Activities in CSFL in FY 2023			
Management Activity	**Acres Planned**	**Acres Completed**	**Total Cost**
Initial Planting*	250	180	$89,573
Interplanting	0	0	$0
Invasive Plant Control	25	0	$0
Precommercial Thinning	17	0	$0
Pruning	0	0	$0
Release-Chemical- Aerial	0	0	$0
Release-Chemical-Hand	57	105	$14,201
Release-Mechanical-Hand	50	17	$5,095
Site Prep-Mechanical	20	20	$0
Site Prep-Slash Burning	30	29	$375
Site Prep-Chemical- Aerial	70	0	$0
Site Prep-Chemical- Hand	191	191	$21,267
Surveys-Invasive Plants	33	33	$0
Surveys-Reforestation	265	265	$0
Tree Protection-Barriers**	57	60	$4,338
Tree Protection-Direct Control	82	82	$5,813
Underplanting*	0	0	$0
Total	**1,147**	**982**	**$140,661**

*Planting costs include all costs to grow seedlings.
**Some districts used South Fork crew labor. South Fork crew costs are covered in this table.

Road Management Activities for FY 2023

Table 10: FY 2023 Annual Road Work – CSFL								
District & County	Aggregate/Paved Surface (miles)			Dirt Surface (miles)			Bridge	Fish Pipes
	Constructed	Improved	Vacated	Constructed	Improved	Vacated	Installed	Installed
Klamath/Klamath	0.00	0.00	0	0.2	0.7	0	0	0
West Oregon/Benton	0.10	0.00	0	0	0	0	0	0
West Lane/Josephine	0.00	1.60	0	0.7	7.8	0	0	0
Totals	**0.10**	**1.60**	**0.0**	**0.90**	**8.50**	**0.0**	**0.0**	**0.0**

Links To More Information

Stand Level Inventory

Forest Inventory Report covers the fiscal year-end stand level inventory estimates on Board of Forestry and Common School Land for each district.

Stream and Watershed Restoration

Restoration reports summarize all restoration activity reported to OWEB by State Forest Districts since 1995.

Forest Health

- Aerial Survey Summary Reports by ODF Area
- Forest Health Highlights Report -Joint Publications of Oregon Department of Forestry and USDA Forest Service, Pacific Northwest Region

Oregon
Tina Kotek, Governor

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M E M O R A N D U M

Date: February 13, 2024

To: Governor Tina Kotek
Secretary of State LaVonne Griffin-Valade
State Treasurer Tobias Read

From: Vicki L. Walker
Director

Subject: Managing School Lands: Annual Report of the Real Property Program for July 1, 2022 to June 30, 2023

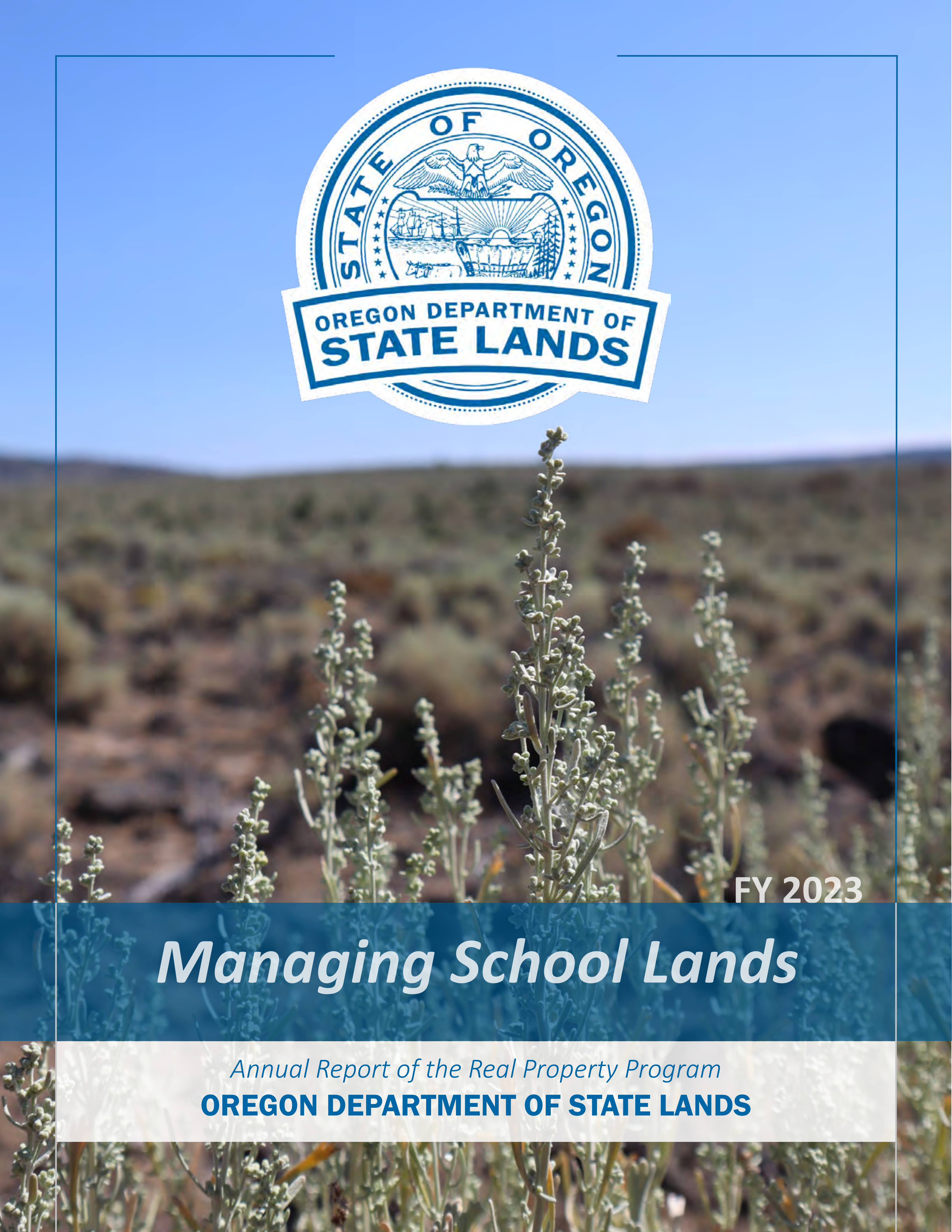
The Department of State Lands reports annually on management and performance of Oregon's school lands – the 1.5 million acres of lands and mineral resources managed to generate revenue for our state's K-12 public schools.

The Managing School Lands: Annual Report for the Real Property Program, July 1, 2022 to June 30, 2023, reviews the current school lands portfolio, discusses management approaches and activities, analyzes school land financial performance, and identifies future priorities and projects.

The purpose of the report is to provide current information about Oregon's school lands and how they are managed, as well as a snapshot-in-time of Real Property Program performance that can be measured against previous performance and used to identify and address factors affecting performance.

APPENDICES

Appendix A – Managing School Lands: Annual Report for the Real Property Program, FY23



OREGON DEPARTMENT OF STATE LANDS

FY 2023

Managing School Lands

Annual Report of the Real Property Program

OREGON DEPARTMENT OF STATE LANDS

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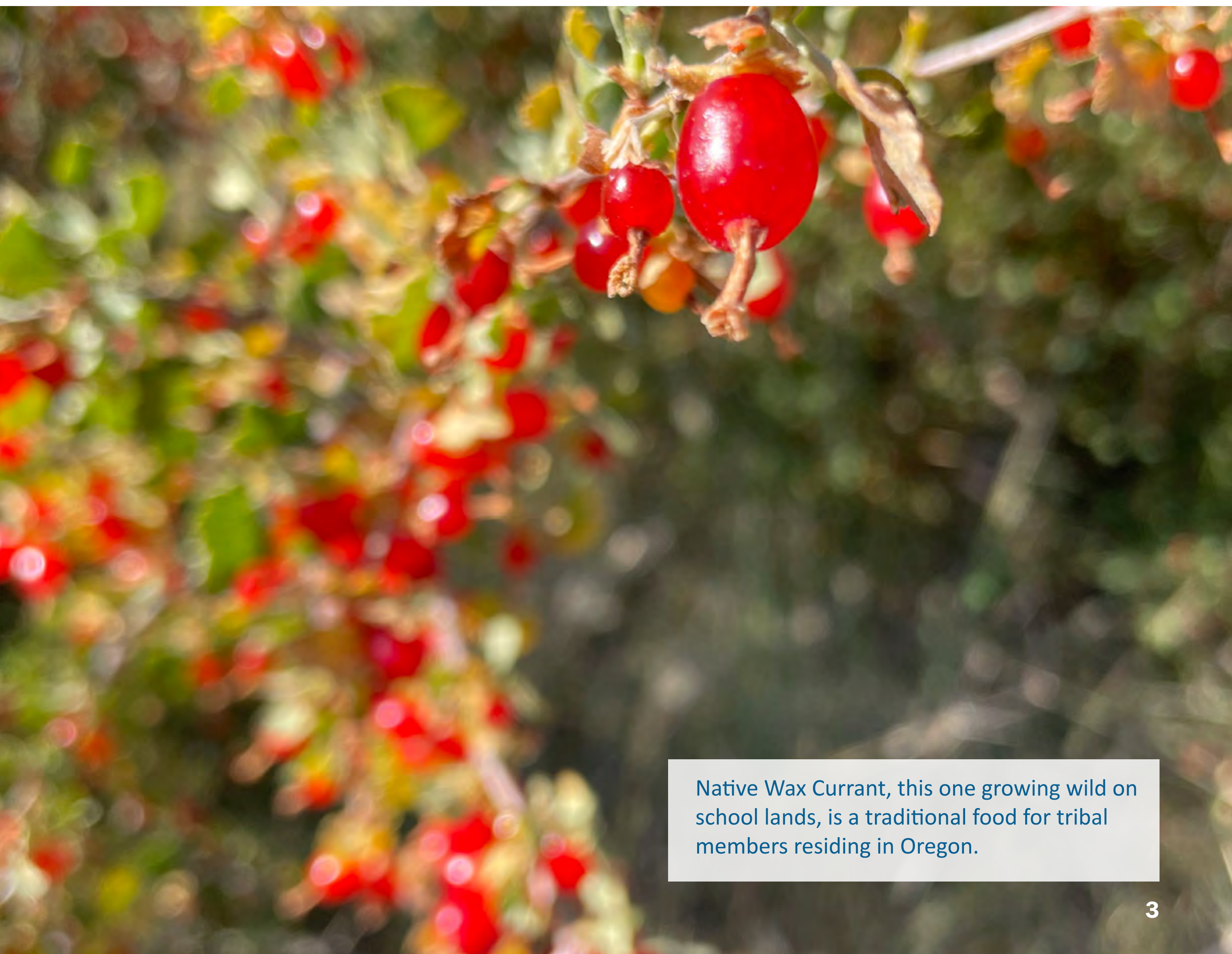
REPORT
AT-A-GLANCE

Oregon school lands are 768,000 acres strong and provide diverse value to Oregon including revenue creation for the Common School Fund, economic opportunities in Eastern Oregon, and habitat improvements for important species like greater sage grouse. The Department of State Lands, specifically the Real Property program, manages these lands. This **Real Property Program Annual Report** for July 1, 2022, to June 30, 2023 (FY23) reviews the current school lands portfolio, discusses management approaches and activities, analyzes school land financial performance, and identifies future projects and priorities.

The goal of this report is to provide FY23 information about Oregon's school lands and how they are managed, as well as a snapshot in time of Real Property Program performance that can be measured against previous performance and used to identify and address factors affecting performance.



Native Wax Currant, this one growing wild on school lands, is a traditional food for tribal members residing in Oregon.

Key takeaways include:

Resolving the future of the Elliott State Forest continues to be important for the Common School Fund.

Program net operating income remains negative due to expenses related to the Elliott State Forest. When Elliott expenses are excluded, net operating income was $1.66 million.

Forage leases continue to be the largest use on school lands.

The Department leases 657,738 acres of rangelands and forestlands for grazing through forage leases. In FY23, 157 forage leases generated $763,794, up 34% from the previous year.

DSL-managed forestlands continue expansion.

The Department is exploring options to improve forestland revenue. In FY23, this effort included a proposal to bring forestlands in the Klamath District under DSL management, rather than the Oregon Department of Forestry, to reduce costs and increase revenue.

Land use authorizations are up.

Real Property Program land use authorizations were up 12% in FY23, contributing about $1.5 million to revenue.

Strategic work helps protect assets long-term.

- Developing the Department's 10-year school land Asset Management Plan
- Developing partnerships and identifying funding sources to restore degraded habitats and promote wildfire-resilient conditions
- Land use planning projects in urban areas that will result in high-yield land sales
- Enhancing and exploring opportunities for communication facility and renewable energy project leases
- Securing the remaining 1,400 acres of school lands owed to Oregon by the federal government

REAL PROPERTY PROGRAM

OVERVIEW

The federal government granted Oregon nearly 3.4 million acres of land "for the use of schools" at statehood in 1859. The revenue generated from managing these school lands is placed in the Common School Fund which is dedicated to support public education in Oregon. The State Land Board was established at statehood as trustee of the Common School Fund and school lands.

Today, Oregon's school lands continue to contribute to K-12 public education by generating revenue for the Common School Fund. The Department of State Lands manages school and other statutory lands on behalf of the State Land Board.

The Department's Real Property Program is tasked with managing school lands. The Program is linked to the 2022-2027 Department of State Lands Strategic Plan as follows:

Strategic Goal: Supporting Schools

Manages school lands to benefit current and future students. The Program follows best management and stewardship practices to maximize revenue generated for the Common School Fund, while protecting school lands and their resources to benefit future generations. Much of the revenue from school lands is generated through leases and authorizations. The Program also strategically sells and exchanges low-performing lands or acquires lands with long-term potential to produce revenue for the Common School Fund.

Strategic Goal: Thriving Oregon

Ensures school lands continue to thrive. The Program partners with organizations, land management agencies, tribal partners, and landowners to develop projects that reduce wildfire risk, improve the health of rangelands and forestlands, and engage in other stewardship activities on school lands. These actions directly benefit communities in Oregon as well as create value for the future.

Strategic Goal: Great Workplace

Develops management strategies and tracks performance. The Program is guided by DSL's Strategic Plan, Asset Management Plan, and metrics to track land valuation and performance. These guiding tools help staff prioritize their diverse workloads, advance their skills in collaboration, and share knowledge that has been acquired over decades of management.

Strategic Goal: Exceptional Service

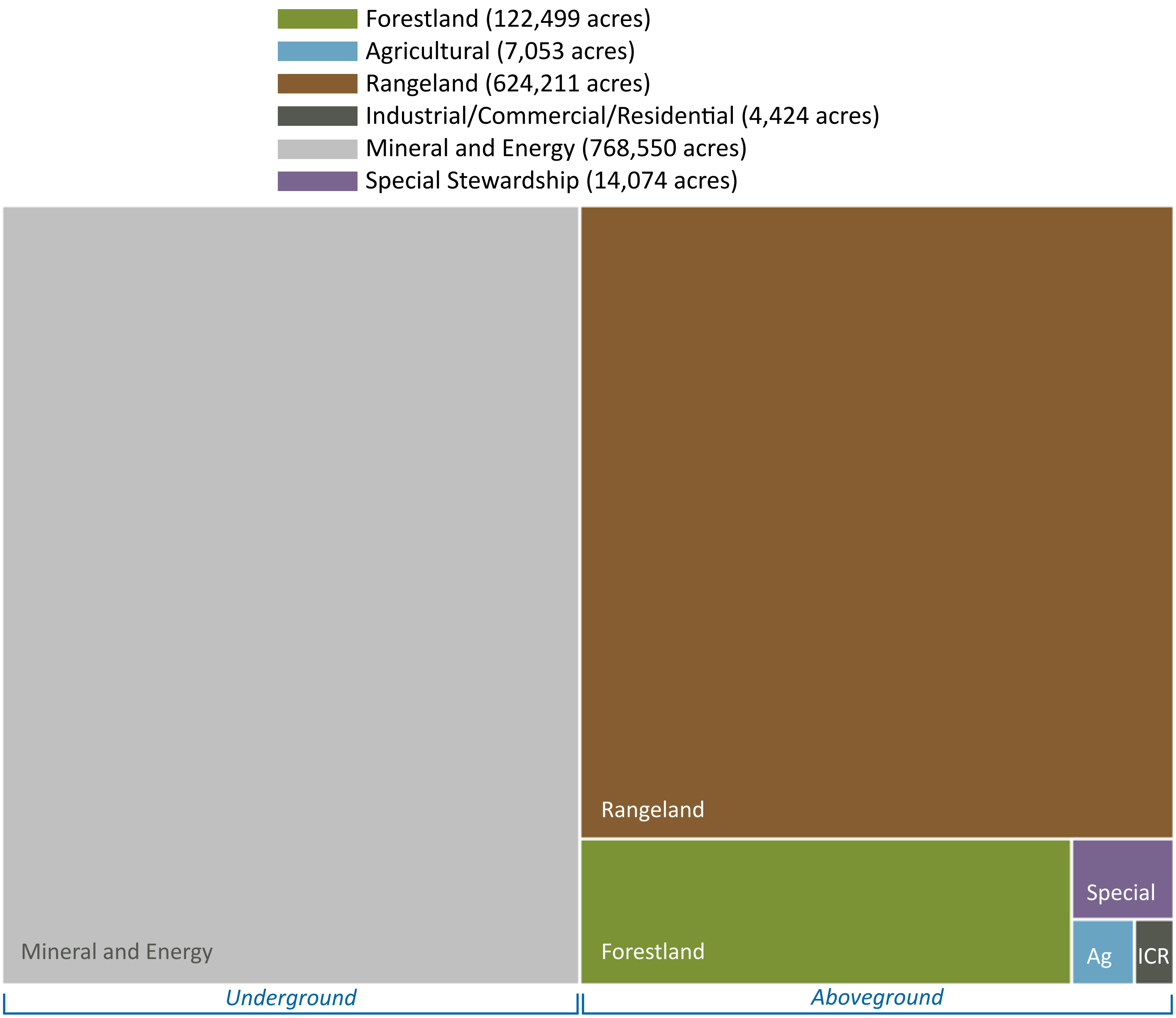
Supports access, service, and increase awareness in land management. Through the goal of maximizing benefits in land management, the Real Property Program works with the public to offer various authorizations, including permits, leases, and licenses for land uses. While reporting is most often concerned with larger scale uses such as livestock grazing, public access also creates low barrier to entry opportunities for the surrounding communities such as personal-use firewood collection and recreational uses such as hunting and OHV use. Land management practices are maintained to allow for these activities whenever possible and provide ecosystem services to ensure viability into the future. In addition, the program manages all real estate transactions for the Department and mineral right activities on behalf of other state agencies.

Land Classifications

The Program manages school lands and statutory lands[1]. **School lands**, also known as trust lands, were granted by the federal government upon Oregon's admission into the Union. The Land Board is directed by Oregon's Constitution to manage these lands for the primary purpose of generating revenue for K-12 education.

Approximately 25,700 acres of **statutory lands** managed by the Program were dedicated to the state through the Swamp Lands Act of 1860. The majority of these acres are rangelands. The Elliott State Forest was transferred from school land to statutory lands in FY23, and now comprises the largest portion of statutory lands of the Real Property Program.

Mapped across the state in Appendix A, lands are assigned a land classification:



1 Statutory lands include assets managed by the Real Property Program, and do not include the beds and banks of navigable waterways, which are overseen by DSL's Aquatic Resource Management Program.

Forestland is area capable of growing and sustaining forest cover. Forestlands managed by the Oregon Department of Forestry (ODF), in compliance with the Oregon Forest Practices Act on behalf of DSL, make up about 28,000 acres. Primarily located in the western portion of the state, ODF-managed forests tend to be highly productive with timber harvest operations contributing to the Common School Fund. DSL-managed forestlands are typically slow-growing sites that produce minimal income from timber harvest. These 12,600 acres of forestlands typically contribute to the Common School Fund through land authorizations such as grazing leases and require fewer timber management activities. Currently managed by DSL, the Elliott State Forest contains 82,500 acres of forestlands located in the Coast Range northeast of Coos Bay and currently generates no revenue from forestry activities.

Agricultural land is area where the native vegetation has been removed for crop production. To be classified as agricultural lands, the parcel must currently be under lease for agriculture or in the process of being converted to agriculture. Agricultural lands are typically converted from rangelands; however, conversions are limited and infrequent. The Department aims to keep agricultural lands in areas that already have agriculture present so as not to add unnecessary fragmentation to high-quality rangelands. The holding of water rights by the Department is a limiting factor in agricultural conversions.

Rangeland has arid or semi-arid soils and dominant sagebrush or juniper vegetation. Rangelands are primarily suitable for grazing and make up the largest surface acreage managed by the Department with the greatest number of leases. Some rangelands have been leased to grazing for 100 years or more.

Industrial/Commercial/Residential (ICR) lands are parcels located within or adjacent to urban growth boundaries or urban reserves. These lands are currently zoned or likely to be zoned for industrial, commercial, or residential uses. ICR lands are managed for the express purpose of being sold or leased for future development.

Mineral and Energy land may contain mineral or energy resources. Mapped across the state in Appendix A-2, **mineral resources** are subsurface rights reserved for mineral resource development or exploration. **Energy resources** are lands primarily used for renewable energy, including wind, solar, and geothermal.

Special Stewardship land is managed to ensure the protection of cultural, educational, scenic, recreational, and natural resource values. They typically have benefits other than revenue production—for example, they may serve as habitat for threatened or endangered species. Approximately 6,700 acres of special stewardship lands are managed by South Slough Reserve for recreation and coastal research, education, and training. The Real Property Program manages about 7,000 acres of special stewardship lands, not including the South Slough Reserve.

Real Property Program staff periodically evaluate properties to ensure land classifications are appropriate. The current land classifications were updated in FY22 and the revenue and expenditures in this report accurately represent current classifications. Changes to land classifications are made based on individual property site characteristics, uses, and any other pertinent information available to DSL staff.

SCHOOL LAND

USE AUTHORIZATIONS

The Program works with ranchers, farmers, utilities, local governments, tribal governments, businesses, and others to issue authorizations for use of school lands. These uses benefit both the Common School Fund and local Oregon economies.

Table 1 details 247 new and continuing authorizations in FY23, which is a significant portion of the work of the Real Property Program. An authorization may be as simple as issuing a firewood cutting permit for a small fee, or as complex as dealing with a cell tower company for a communications site lease, involving lease payments, construction activities, sub-leases, bonding, and other regulatory concerns. Many of these authorizations require staff to perform site inspections and monitoring, host meetings, and process payments. The Program currently has five field staff handling authorizations, with just two employees monitoring 170 agricultural and forage leases on over 670,000 acres of land. Authorization types shown in Table 1 are based on the intended use rather than classification of the land. For example, there may be grazing on forestlands, and communication sites placed on rangelands.

Table 1. Authorization Total Revenues in FY23

AUTHORIZATION TYPE	LAND USE	NUMBER OF AUTHORIZATIONS	TOTAL ACRES	TOTAL REVENUE	PERCENTAGE TOTAL REVENUE
Forage Leases	Grazing	157	657,738	$763,794	52%
Special Use Leases	Agriculture	13	7,125	$ 348,481	24%
	ICR	2	402	$ 90,080*	6%
	Communications	24	Nominal	$101,607	7%
	Hard Mineral	2	659	$117,622	8%
	Upland Quarry	2	10	$0**	0.0%
	Recreation	6	80.8	$10,124	0.7%
	Solar	3	1,325	$13,626	0.9%
	Miscellaneous	3	6,085	$950	0.1%
Oil & Gas	Oil & Gas	7	Nominal	$ 4,362	0.3%
Easements	Easements	1	1.8	$2,500	0.2%
Permits	Small Products, Gravel Removal & Hauling Permits	26	N/A	$7,122	0.5%
TOTAL*		**247**	**677,865**	**$1,460,269**	**100%**

Note: Acres may be double-counted due to multiple authorizations on the same property.
* This total is for authorizations issued by the Real Property Program and does not include income from the leasing of space in the Department's Salem building.
** No revenue due to no activities at quarries in FY23.

Forage Leases

The Department currently has 157 active forage leases (see Table 1), managed in partnership with leaseholders who graze livestock on rangelands or forestlands. In FY23, forage leases accounted for $763,794, or 52% of the Program's income from authorizations. Annual forage lease fees are based on the grazing fee formula in administrative rule and vary annually based on average calf prices of the preceding year.

Special Use Leases

Special use leases authorize a variety of uses on a mix of land classifications. Currently these uses include agriculture, renewable energy (solar, wind, geothermal), communication sites, upland quarries, collection of small products (gems, petrified wood, small forest products), and scientific research. Combined, all special use leases accounted for $682,832, about 47%, of income generated from authorizations in FY23.

Agricultural leases currently generate the greatest income per acre compared to other leases. While agricultural lands account for a small fraction of school lands (~1 percent), agricultural leases made up over half of the Special Use authorizations revenue, or 24% of total Real Property authorization revenue in FY23, generating $348,481 and 51% of all special uses. Most of these lands are in Eastern Oregon and are leased for alfalfa and row crops that may be rotated with corn.

Communication leases make up the largest number of authorizations for a single special use category (24 leases, see Table 1). Communication leases allow placement of facilities to support cell phone service, internet service, emergency communications (911 or State police), as well as cable broadcast, radio broadcast and local radio users. There were 24 communication leases in FY23. Communication sites are clustered in five locations, two of which are in Harney County. An outdated facility currently in operation in Harney County is under development by the Burns Paiute Tribe. This facility aids communication services, including phone and internet, as well as service for Tribal emergency radio support. The Department is currently working on rulemaking to establish separate administrative rules for communications leases to allow for more efficient management (see Future Projects & Priorities).

Solar energy leases are in demonstration phases. Oregon's Renewable Portfolio Standards requires that 50% of the electricity Oregonians use come from renewable sources by 2040. The Program is in the process of authorizing three different solar generation projects.

1. Photovoltaic energy generation and battery storage facility in Harney County. This project has undergone public review and is in the draft phase of the demonstration license. This three-year license permits the applicant to investigate the economic and technological viability of installing the project. The demonstration phase includes 21,530 acres which may be scaled down for the eventual operational phase.
2. 245-acre solar development currently in the demonstration phase in Crook County.
3. Approximately 1,280 acres in Lake County where the demonstration phase is nearing an end, with construction slated for FY24 and the project on track to be operational in FY25.

Although the development sizes for these sites are yet unknown, it is estimated that 100 to 150 megawatts could be produced between the 3 solar leases. That range could provide electricity for 15,000 homes, conservatively. As these authorizations progress into the operational phase, the program revenue will increase over time.

Hard rock mineral leases are an additional type of Special Use Lease which include management, leasing, and sale of State-owned mineral rights. The Program is managing a hard rock mineral lease in its 40th year in Malheur County where the facility is extracting diatomaceous earth. Diatomaceous earth has many uses depending on its grade, which include as a functional additive in paint, treating blood platelets, and as a membrane filter aid. The product is trucked to Vale, Oregon, where it is processed. Local employment is provided at the mining site, for trucking, and at the processing facility.

Easements

The Department also issues easements, which allow an authorized person or entity to access a specific property for a particular use. The most common easement uses are for utilities, such as powerlines and fiber optic cables; roads or trails; and easements for the use of water rights. While the Department has approved hundreds of easements over time, there are only a handful of new easements issued on school lands every year. There are currently 326 active upland easements. Lawsuits have affected the Department's ability to charge fees for utility easements across school lands, which has affected the Program's income.

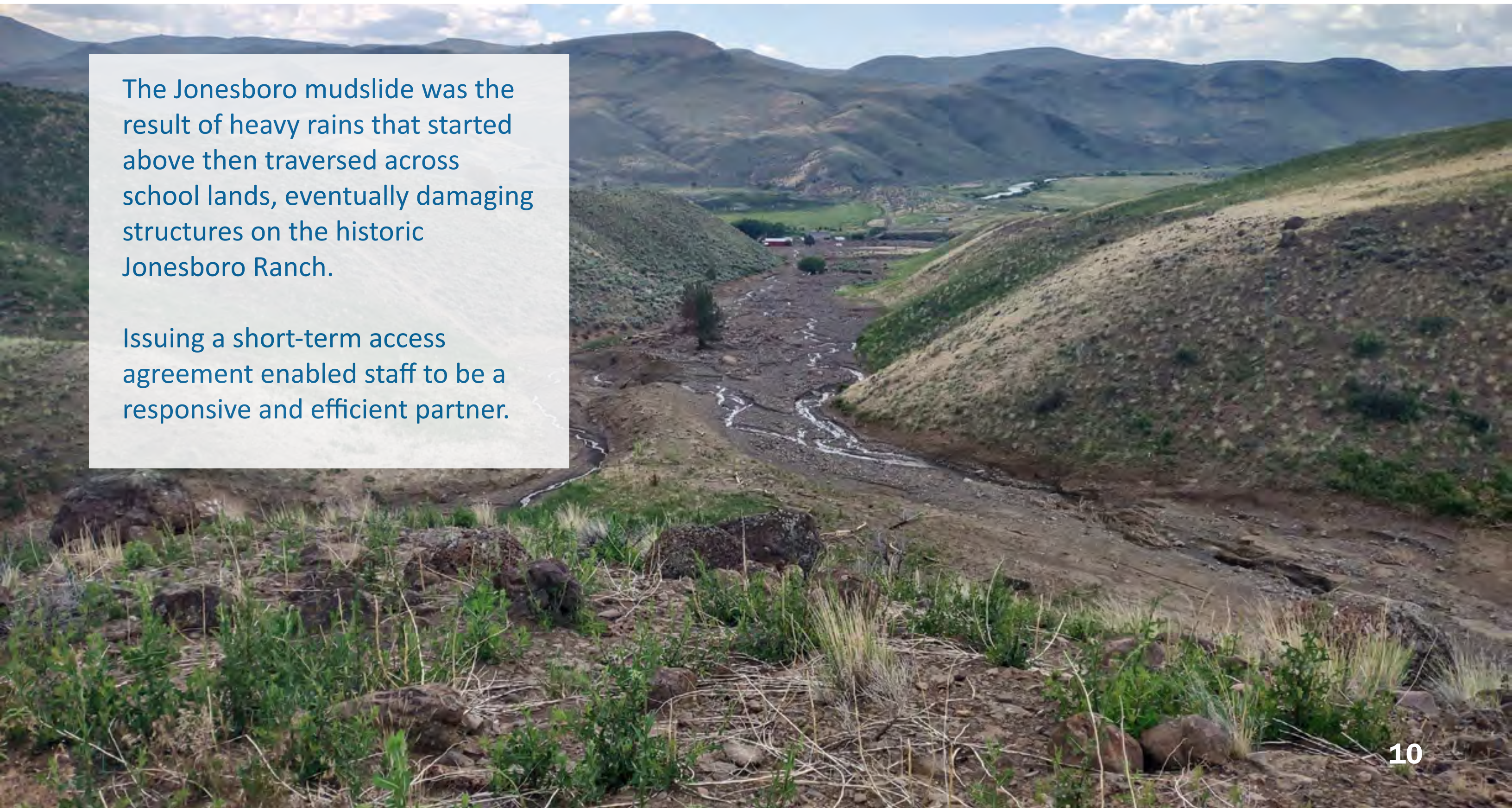
The Department issues different durations of easements, including permanent, depending on the purpose and need of the request. Permanent easements require State Land Board approval prior to issuance and term easements are not to exceed 30 years. The Department issued one permanent easement to the City of Prineville for water storage tanks in early 2023, see Table 1. This Land Board approval provided a permanent location for the growing City of Prineville's water supply. Additionally, the Department often receives requests from adjoining landowners for term easements to secure access to their homes. The Department reviews these requests thoroughly to ensure school lands do not become unnecessarily encumbered. However, when necessary, these term easements provide vital access to community members' properties.

Special Use Licenses

The Department administered 26 licenses and permits for removal of small products and gravel from school lands in FY23, see Table 1. These permits, which provide little to no revenue to the Common School Fund, allow for activities such as firewood cutting or collection of small amounts of gravel.

Short Term Access Agreements

A no-fee authorization called a short-term access agreement is also available for activities such as educational or research projects, races and events, and collection of mineral or plant samples. In FY23, the Program issued multiple short-term access agreements, including for the cleanup surrounding Highway 20 in Jonesboro in Malheur County after a massive mudslide covered the road and adjacent uplands and the remediation of Upper Klamath Lake following a tractor truck accident resulting in the loss of cargo, diesel, and other fluids.



The Jonesboro mudslide was the result of heavy rains that started above then traversed across school lands, eventually damaging structures on the historic Jonesboro Ranch.

Issuing a short-term access agreement enabled staff to be a responsive and efficient partner.

FORESTLANDS

Building the Department's first timber sale program was a significant accomplishment in FY23. DSL had no previous timber program infrastructure. Building this program included developing a timber sale contract, log ticket books, a timber appraisal process, and a log brand. Field work associated with all these projects includes rigorous assessment of forest stand conditions including tree health, species mix, forest structure, and development of methods for cutting the treatment area. Those methods include laying out sale boundaries, marking trees, and measuring tree volumes. This program infrastructure is vital to all future projects on DSL-managed forestlands.

DSL-managed forestlands are maintained to improve wildfire resiliency, forest health, wildlife habitat, forage leases, and timber sales to generate revenue for the Common School Fund. In FY23, DSL sold its first timber sale, the Pine Mountain East Timber Sale. This sale is a 70-acre thinning project on a parcel in Hood River County with the goal of improving forest health and producing revenue for the Common School Fund. The sale will generate over $650,000 in revenue in the next two years and will increase forest resiliency to withstand the impacts of wildfire, insect outbreaks, and drought. This project is the first of many DSL-managed projects planned for the future.

The Department's first log brand will be used to brand logs from the Pine Mountain East Timber Sale prior to transportation.

The Department continues to explore options to address the revenue challenges associated with managing forestlands. In FY23, the Department proposed transferring the remaining ODF-managed forestlands in the Klamath District to DSL management to reduce costs and increase overall forestlands revenue. The Klamath properties cost more than $225,000 annually between fiscal years 2017 and 2021. Poor timber markets, low-value species mix, and low volume-per-acre harvests are factors in these costs. The "decertification" process requires both State Land Board and Board of Forestry approval, and results in the Department regaining management authority over the decertified forestlands. Work accomplished in FY23 included a financial analysis of the performance of the forestlands in the Klamath District and extensive coordination with ODF to propose decertification of those forestlands.

ODF-Managed Forestlands Revenue

In FY23, ODF reported total timber sale revenue from the 28,000 acres of ODF-managed forestlands at $2.75 million, with $908,000 in net revenue for the Common School Fund. ODF is currently working through the final stages of the Western Oregon State Forests Habitat Conservation Plan, a management plan that will enable ODF to comply with the federal Endangered Species Act, while managing state forests for economic, environmental, and social benefits. The management plan will cover all ODF and DSL forestlands west of the Cascades, excluding the Elliott State Forest, which will be covered by a distinct habitat conservation plan, forest management plan, and operations plan.

Elliott State Forest Costs

The 82,500-acre Elliott State Forest generates no revenue for the Common School Fund. Timber harvests, which previously provided revenue to the Fund, were scaled back in 2012 following a lawsuit regarding federal Endangered Species Act compliance. Costs associated with forest management include ongoing road maintenance, reforestation expenses, and efforts to create an Elliott State Research Forest. Elliott-related expenses to the Common School Fund were $4.1 million in FY23, impacting the overall financial performance of school forestlands, and ultimately the financial performance of the entire Real Property Program.

Decoupling the Elliott from the Common School Fund was completed in FY23, through a State Land Board vote in December 2022 to release the forest from its obligation to generate revenue for schools as well as fully satisfying the $221 million financial obligation to the Common School Fund. A down payment of $100 million was made to the Common School Fund in 2019, through the sale of legislatively approved bonds. In 2022, the Legislature provided the remaining $121 million in general funding to satisfy the Common School Fund. With decoupling actions complete, the forest is no longer an asset of the Common School Fund.

As a publicly owned forest, the Elliott has completed its obligation to funding schools, but will continue to contribute to conservation, recreation, education, Indigenous culture, and local economies as a research forest.

RANGELANDS

Beyond leasing rangelands for grazing, there is ongoing stewardship and management of the lands accomplished through habitat improvement efforts. Range improvement projects are funded through two financial mechanisms, partnerships and the range improvement fund. With these funds, DSL can focus on improvements to the health of the land through habitat improvement projects, fuels reduction, seeding disturbed ground, and noxious weed management. Some of the projects that have been funded in FY23 include water developments, livestock wells, waterlines, fences, terrestrial and aerial invasive plant control work (herbicide spraying), seeding rangelands, and juniper removal.

Partnerships

Long-term partnerships with multiple entities for a wide variety of grants and funding opportunities assist with funding or implementing rangeland projects. Often, these partnerships reach other landowners and expand work beyond school lands. Partners include:

- Natural Resources Conservation Service (NRCS)
- Pheasants Forever
- High Desert Partnership
- U. S. Fish and Wildlife Service (USFWS)
- Owyhee Watershed Council
- Bureau of Land Management (BLM)
- Oregon Department of Forestry
- Oregon Department of Fish and Wildlife (ODFW)
- Soil and Water Conservation Districts (SWCD)
- Cooperative weed management areas
- Landowners
- Eastern Oregon Agriculture Research Center
- Harney County Weed Control
- Other non-governmental organizations

Grant funding in FY23 included the Bipartisan Infrastructure Law; Regional Conservation Partnership Programs, Environmental Quality Incentives Programs, Focused Interest Partnership Programs and Recovery Grants, and other opportunities.

Projects funded through partnerships included 7,700 acres of annual invasive grasses treatments on school lands with the assistance of High Desert Partnership. Partners included NRCS, ODFW, BLM, Pheasants Forever, Harney and Malheur County SWCD's, ODFW, USFWS and multiple landowners.

Efforts to remove juniper trees, which pose a unique threat to groundwater supply and undergrowth habitat, also benefit from partnerships. With the assistance of NRCS in Harney and Malheur Counties, 500 acres of juniper was removed on DSL rangelands. An additional 1,200 acres of rangelands received juniper treatments through assistance of Pheasants Forever and funded by Bipartisan Infrastructure Law funding from US Fish and Wildlife Service.

Included in these partnerships, DSL is coordinating with many groups and efforts throughout Central and Eastern Oregon to protect and enhance sage grouse habitat.

Range Improvement Fund

12.5% of revenues from rangelands is put back on the ground to implement range projects to enhance/protect various ecosystem functions, increase forage production, and further improve range conditions.

There were three projects implemented through the Range Improvement Fund in FY23. One project included 238 acres of juniper removed in a riparian stream/meadow system with the objective of improving stream flows and riparian habitat. The other two projects were implemented to aid in livestock distribution: four miles of livestock fence constructed in Lake County in conjunction with the Lakeview BLM and six miles of waterline replaced in Harney County.

While rangeland covered in Medusahead can look beautiful to the untrained eye, this invasive grass (pictured here on school land in Malheur County) increases the risk of a large catastrophic wildfire, has no forage or habitat value, and forms a near monoculture by outcompeting native grasses.

ICR LANDS

INDUSTRIAL, COMMERCIAL, AND RESIDENTIAL

When acquiring property, whether through selection of school lands still owed to Oregon by the federal government or through purchase, the Department seeks to acquire Industrial, Commercial, and Residential (ICR) properties with a high probability of generating income for the Common School Fund. ICR properties are wholly or partially developed, with added improvements like roads or utilities, and planned for eventual sale. ICR sales also often bring important community benefits such as providing land for housing or economic development.

Planning and development of two ICR properties in Deschutes County is helping to add a mix of housing and economic opportunities to Central Oregon. DSL acquired these properties – the Stevens Road Tract and the South Redmond Tract – from the Bureau of Land Management as in-lieu lands, school lands not provided at statehood and still owed to Oregon by the federal government. The acquisition of these lands partially satisfied the federal government's obligation to provide Oregon with in-lieu lands, with approximately 1,400 acres of federal land still owed.

- The **Stevens Road Tract** in Bend has 261 acres remaining after 382 acres were sold in 2020. In 2021, the Legislature passed House Bill 3318, providing the opportunity to bring the remaining 261 acres into Bend's urban growth boundary. The bill requires that the resulting development be a complete community that includes affordable and workforce housing as part of walkable neighborhoods. The Department and the city of Bend entered into an agreement to establish the development of a Concept Plan for the future development of the remaining acres, and to sell 20 acres to the City of Bend to help meet Bend's critical need for more affordable and middle-income housing. House Bill 3318 identifies that 8 of the 20 acres will be designated through deed restrictions to be available to households with one or more educators, and the remaining 13 acres will be deed restricted for certain levels of affordable housing. The Stevens Road Tract is making progress to be included in the Bend Urban Growth Boundary in early 2024.

- The **South Redmond Tract** is a 945-acre tract that is fully incorporated into the City of Redmond urban growth boundary as a "large lot industrial" zoned property. The large lot industrial zoning allows for industrial development on a parcel that is 200 acres or larger. To date, the Department has completed the engineering, design, and construction of utilities and a street segment in preparation for future development. In April 2021, a 20-acre parcel of the tract was sold to the Oregon Military Department for $1.6 million (funds received by the Common School Fund). The Military Department is planning to develop a readiness center on this property, which will serve as a training facility for the National Guard and emergency center for events like natural disasters. The Department continues to work with Deschutes County to exchange a portion of the tract, which will allow the County to expand its fairgrounds. No further transactions will occur on the tract until the Department has met the requirements of the large lot industrial zoning designation plans to sell a 200-acre parcel, see Future Projects and Priorities.

Development on South Redmond Tract

LAND TRANSACTIONS

Income from land sales and mineral releases can range from a few hundred dollars to millions of dollars.

Planning and improving lands with high urban development potential. The Department works collaboratively with local communities and governments to plan and improve lands with potential to be developed for industrial, commercial, or residential (ICR) use.

Selling or exchanging lands with minimal income potential. Non-ICR lands are sometimes sold or exchanged when parcels have minimal or no potential to produce income for the Common School Fund, or when an individual or entity approaches DSL to request the transaction. In such cases, following a due diligence review, the State Land Board will determine whether to approve the sale or exchange.

Administering release of mineral resource rights. Historically the State of Oregon has reserved mineral rights when any piece of land is sold. This has created scattered mineral ownerships across all state agencies throughout Oregon, which is often an impediment to development. The Department is responsible for processing requests to release rights to mineral resources owned by other state agencies identified in statute. Income from those releases goes to the Common School Fund.

Proceeds from all school land sales are deposited in an account within the Common School Fund called the Land Sale Revolving Fund (per ORS 273.413). This fund may be used only to acquire additional lands or other suitable investments, as directed by the State Land Board in consultation with the Oregon Investment Council. Because funds may only be drawn for acquisitions, expenses for land sales (such as operating costs and improvement and maintenance) are currently reported in the ICR land classification. This skews the income and expenditures for the ICR classification.

FY23 Land Transactions

DSL is responsible for managing and completing land transactions for minerals owned by the State of Oregon as outlined in ORS 273.780. The Department, through the Real Property Program, has completed the release of three mineral estates for other state agencies. Releasing the mineral estates to the various state agencies allows for them to clear title and complete disposal of the respective agency's land.

DSL completed one exchange of submerged and submersible lands through a quitclaim deed in order to clarify ownership and identify DSL's ownership along a portion of the Willamette River in Benton County. In addition, mineral rights were sold in Yamhill County as part of a conservation land acquisition related to the Willamette Wildlife Mitigation Program. Yamhill Soil and Water Conservation District paid for mineral assessment work and $1,235 for the mineral rights.

In 2020, a landowner in Harney County proposed a land exchange with DSL. The land exchange benefited DSL by trading an isolated 164 acres for 160 acres that is adjacent to several other school lands (known as a block) now totaling 800 acres, which greatly benefits management. The landowner also benefited by receiving land adjacent to his other property. This exchange was completed in FY23, with exchange costs split between the two parties, and the private landowner paying $550 for the difference in appraised values.

FINANCIAL PERFORMANCE
OF SCHOOL LANDS AND ASSETS

The Program reports on four measures used to assess the financial performance of school lands and assets. Those measures, defined in the Real Estate Asset Management Plan, are total annual revenue, return on asset value, annual change in net operating income, and annual land value appreciation.

The income generated from the sale of school lands is not factored in when calculating these performance measures because land sale proceeds are deposited into the Land Sale Revolving Fund to use for future land or investment acquisitions. Due to this, land sale proceeds are not acknowledged in the total annual revenue, reducing return on asset value and net operating income.

This Western Juniper berry appears benign as it hopes to attract a bird for propagation. However, the overabundance of this species is negatively impacting water supply, sage grouse habitat, and viability of grazing land.

Total Annual Revenue. Annual revenue measures earnings obtained from Real Property Program management activities, excluding land sales. In FY23, total annual revenue was approximately $5.2 million, about $363,000 less than FY22, see Appendix B. Annual revenue does not include land sales, which would have added $1,785 for a mineral rights release and a land exchange.

Return on Asset Value. Return on asset value measures revenue generated compared to market value of the land. This measurement is calculated based on market values, annual operating expenditures, and total annual revenues generated. For this report land values for FY22 were used. Appendix C shows the estimated market value for forestlands, agricultural lands, rangelands, and ICR lands managed by the Real Property team, as well as these land classifications combined.

In FY23, the return on asset value for the four land classifications averaged 0.26%, down 0.01% from FY22. Agricultural Lands were up 0.32%, Rangelands were up 0.1%, ICR Lands were up 0.32% and Forestlands overall were down 0.82%. When broken out into different subclasses, ODF-managed Forestlands were down 0.97%, DSL-managed Forestlands were up 0.53% (to 0.00%), and Elliott State Forest was down a further 0.87% from FY22 to -1.81%.

The Program also tracks change in return on asset value over the past ten years, anticipating fluctuations in measures over time. Appendix D shows the fluctuations in return on asset value over the last ten years. Since 2018, the return on asset value has remained generally steady, increasing or decreasing by 0.5% to 1%. Forestlands have seen about a 1% dip compared to 2022. In the next asset management plan, the Department anticipates no longer using land values in measuring program success. Without land values significantly decreasing, or revenues significantly increasing, increasing the return on asset value is not feasible.

Annual Change in Net Operating Income. Net operating income measures total revenue minus operating expenditures. In FY23, the overall net operating income decreased largely due to a $2 million dollar increase in Elliott State Forest costs and other factors outlined below:

- Continued fire protection costs coupled with expenses incurred from the Elliott State Forest. Without accounting for the expenses from the Elliott, FY23 net operating income would be $1.66 million.
- The Elliott State Forest continues to affect overall financial performance of forestlands. In FY23, the net operating income for forestlands remained negative, decreasing further with an overall negative net operating income of $4 million. This change was driven by a $2 million increase in Elliott State Forest costs.
- ODF-managed forestlands net operating revenue was less than last year due to a decrease in timber sale harvest volume. This cyclical performance is typical as timber volume and prices ebb and flow year-to-year. DSL-managed forestlands generated some revenue in FY23 from the Pine Mountain East Timber Sale. The program expects an upward trend in revenue from DSL-managed forestlands in future years.
- The net operating incomes increased year-over-year on all land classifications except forestlands. Forestlands were down 858% compared to FY22.
- Rangelands saw a 475% increase in net operating income compared to FY22. The increase in forage lease revenue can be attributed to an increase in the grazing fee, which is tied to average calf prices for the preceding year. Cattle prices have been increasing, therefore, our grazing fee reflects that change. The grazing fee in 2022 was $10.38/AUM (Assets Under Management) and in 2023 it was $11.69/AUM. The increase in rangeland net operating income was also impacted by annual increases in communication site leases and a vacant rangeland technician position in FY23.
- See Appendix B for Net Operating Income details.

Besides forage leases contributing to revenue, managed cattle grazing also reduces wildfire fuel and supports ranching families in Eastern Oregon.

FUTURE PROJECTS
AND PRIORITIES

The Program continues to manage Oregon's school lands with a commitment to growing revenue for the Common School Fund. The Department's five-year Strategic Plan provides a foundation for strategic work, establishing Department-wide goals and progress metrics that are advanced by program-level projects. The following projects have been highlighted as priorities in continuing this strategic work.

Updating the Asset Management Plan

The previous 2012 Real Estate Asset Management Plan is due to be updated. Drafting of this plan, along with research and development of needed changes, began in 2023. It is anticipated to be before the State Land Board for consideration in the first half of 2024. Creating this plan will allow the Department to identify effective strategies and procedures for ongoing management and stewardship of school lands over the next decade. Plan development includes meaningful engagement with stakeholders and the public.

Planning High-Yield Industrial, Commercial, and Residential Projects

The Program will continue to improve and sell existing Industrial, Commercial, and Residential (ICR) properties.

- There are 778 remaining acres of the South Redmond Tract available for sale in a large lot industrial zone that has the potential to aid economic development in Central Oregon. The Department is focused on fulfilling its large lot industrial zoning obligation by 2028 as identified in Oregon Administrative Rule and the City of Redmond's zoning code. The Department is actively marketing the first large lot industrial zoned 200-acre parcel.
- Approximately 261 acres of the Stevens Road Tract near the Bend Urban Growth Boundary remain school lands. DSL continues to coordinate with the city of Bend as the city is working quickly through a process to incorporate the remaining acres into the urban growth boundary, meeting the requirements laid out by House Bill 3318 (2021), which include designating lands for affordable housing.
- The Department is currently under contract for the sale of the Millican Road parcel, a 159-acre industrial property located on the western edge of the city of Prineville.

Rulemaking for Communication Leases

Currently, communication leases are authorized through DSL's special use administrative rules (OAR-141-125). These rules are outdated and do not address some matters unique to communications sites. Having a set of rules to specifically address communication leases will provide a more streamlined leasing process, keep pace with a rapidly changing industry, add efficiency with management, and update lease fees. The Department was delayed in late FY23 on completing new communication lease rules (OAR-141-126) due to legal concerns. After receiving significant comments during the public review period, DSL is revising the draft rules in consultation with Oregon Department of Justice and aims to have the rule finalized in the 2024 calendar year.

Communication Site for Regional Wildfire Management

The Program is working with a university consortium on developing new communication site authorizations on the Steens Mountain Communications Site in Harney County. The applicant is proposing to construct a site that will provide wildfire cameras and tools to help firefighters and first responders. The site would become part of a network across the west that assists in confirming wildfire ignitions, scaling fire resources up or down, monitoring fire behavior, and helping evacuations.

Analysis of Lands for Renewable Energy

The state's goal to go carbon neutral by 2040 provides a unique opportunity to increase school lands revenue through renewable energy developments such as solar, wind, or geothermal energy. Renewable energy transitions are a high priority for the Real Property Program in the Strategic Plan. Leases for solar energy have slowly increased, namely in Lake and Deschutes Counties. The Oregon Department of Energy has created a mapping tool that will aid analysis of school lands for potential renewable energy resources. While being proactive with this Strategic Plan project, the Program has interest in renewable energy lease requests and will be finalizing a demonstration license for a solar generation and battery storage facility in Harney County in FY24. The goal is to have analysis completed in FY24 to attract more activity in renewable energy uses on school lands.

In-Lieu Selections with the Bureau of Land Management

The federal government still owes the state of Oregon approximately 1,400 acres of federal lands "in-lieu" of school lands not granted upon statehood. The Department continues working with the BLM on identified forestlands and ICR lands as priority in-lieu acquisitions. Among these, there is a 79-acre residential-zoned BLM land parcel in the urban growth boundary of La Pine and a 440-acre farmland-zoned parcel east of Bend. The Program is hopeful to complete a portion of the in-lieu acquisitions by the end of FY24.

Klamath Forestlands Transitioning to DSL Management

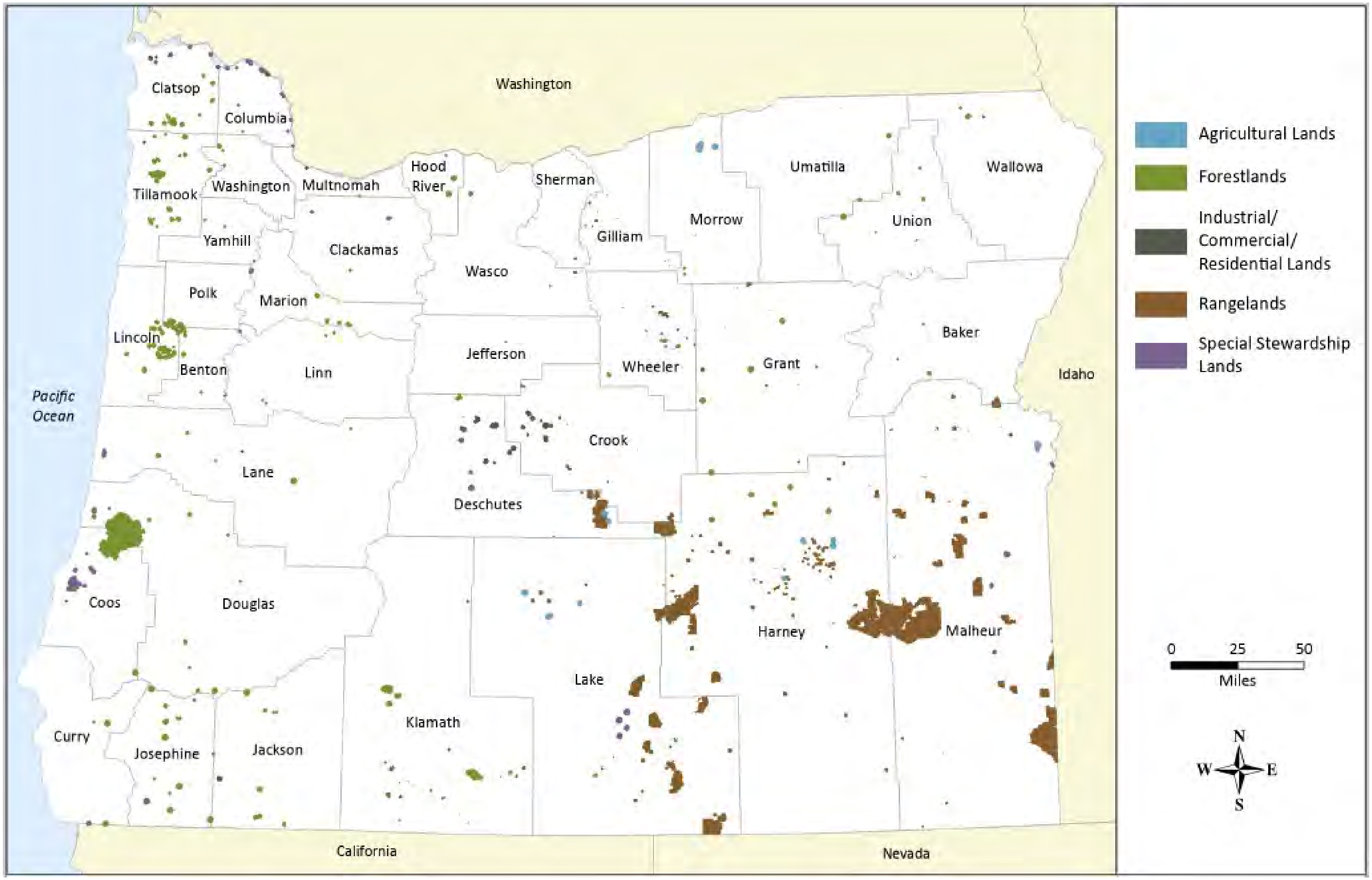
On July 1, 2023 (FY24), DSL transferred 4,907 acres of forestland from ODF management to DSL management in the Klamath District. The remaining 1,920 acres will be transitioned at a later date, possibly by the end of FY24. DSL continues to work with the ODF Klamath District staff to develop a smooth management transition between the agencies. Much of the future management needs will be for forest health improvement and wildfire fuels reduction. This management transfer should reduce forestlands costs by up to 15% on an annual basis.

Partnerships on Rangelands

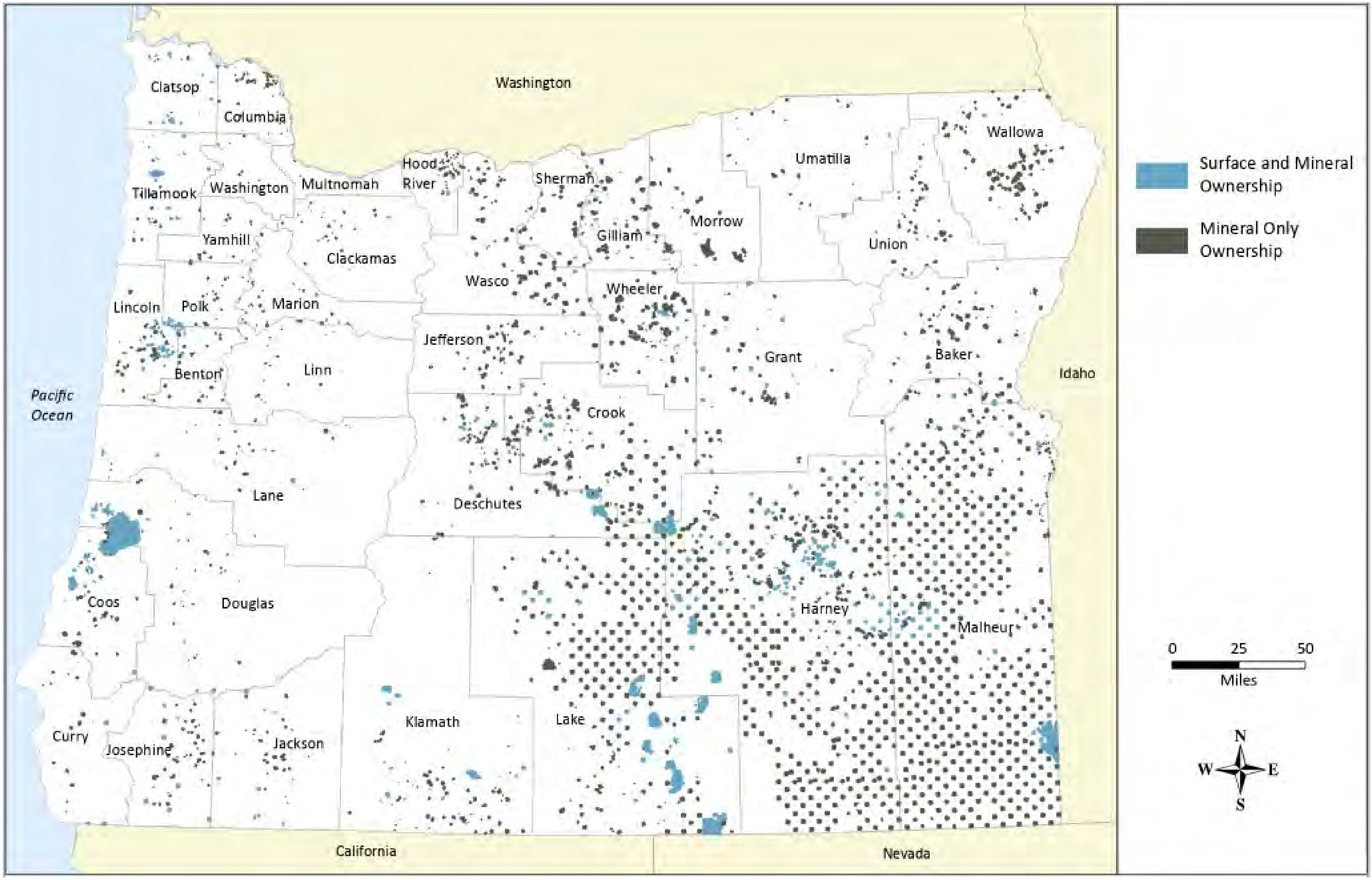
In FY24, the Department will continue to address the challenge of invasive grasses which increase wildfire risk and degrade valuable ecosystems throughout the region. Applications have been submitted for large scale projects in Harney, Malheur and Lake Counties to address invasive grasses and noxious weeds.

Randy Wiest, Rangeland Manager Lead, is well-respected among partners in Eastern Oregon and embodies the Department's Strategic Goal of Exceptional Service.

Appendix A-1: Land Classification, excluding Mineral Energy Lands



APPENDIX A-2: Surface and Mineral (Sub-surface) Lands



Appendix B-1

FY2021-FY2023 Real Property Revenues, Expenditures (Direct only) and Net Operating Income by Land Class

	FISCAL YEAR 2021			FISCAL YEAR 2022			FISCAL YEAR 2023			3- YEAR AVG. ANNUAL NET OPERATING INCOME
LAND CLASSIFICATION	GROSS REVENUE	EXPENDITURES	NET OPERATING INCOME	GROSS REV-ENUE	EXPENDITURES	NET OPERATING INCOME	GROSS REVENUE	EXPENDITURES	NET OPERATING INCOME	
Agricultural Land	$360,002	$150,302	$209,700	$337,531	$161,765	$175,765	$341,739	$102,407	$239,332	$208,266
Rangeland	$725,829	$699,582	$26,247	$694,826	$651,837	$42,989	$850,650	$646,584	$204,066	$91,100
ICR	$1,091,690	$1,168,477	($76,787)	$1,142,550	$1,051,418	$91,131	$991,491	$750,058	$241,433	$85,259
Forestland	$2,596,568	$3,020,405	($423,837)	$3,223,572	$3,587,604	($364,032)	$2,921,775	$6,016,634	($3,094,860)	($1,294,243)
Mineral & Energy Resource	$33,463	$58,319	($24,856)	$97,256	$52,494	$44,762	$130,650	$60,341	$70,309	$30,072
Special Stewardship	$40,182	$7,498	$32,684	$2,967	$15,385	($12,418)	$9,574	$8,919	$655	$6,974
Totals	$4,847,734	$5,104,583	($256,849)	$5,498,701	$5,520,504	($21,803)	$5,245,879	$7,584,943	($2,339,064)	($872,572)
Totals Without Forestlands	$2,251,166	$2,084,178	$166,988	$2,275,129	$1,932,900	$342,229	$2,324,104	$1,568,308	$755,796	$421,671

Appendix B-2

Forestlands Breakdown (Not inclusive of land sales revenue/expenditures)

	FISCAL YEAR 2021			FISCAL YEAR 2022			FISCAL YEAR 2023			3- YEAR AVG. ANNUAL NET OPERATING INCOME
LAND CLASSIFICATION	GROSS REVENUE	EXPENDITURES	NET OPERATING INCOME	GROSS REVENUE	EXPENDITURES	NET OPERATING INCOME	GROSS REVENUE	EXPENDITURES	NET OPERATING INCOME	
ODF-managed Forestlands	$2,571,257	$1,549,009	$1,022,248	$3,206,397	$1,407,441	$1,798,956	$2,754,787	$1,846,378	$908,409	$1,243,204
Elliott Forest	$0	$1,406,618	($1,406,618)	$0	$2,070,953	($2,070,953)	$74,886	$4,078,365	($4,003,480)	($2,493,684)
DSL-managed forestlands	$25,311	$64,778	($39,467)	$17,175	$109,210	($92,035)	$92,102	$91,891	$211	($43,763)
Real Property Total Without Elliott Forest	$4,847,734	$3,697,964	$1,149,770	$5,498,701	$3,449,551	$2,049,150	$5,170,993	$3,506,577	$1,664,416	$1,621,112

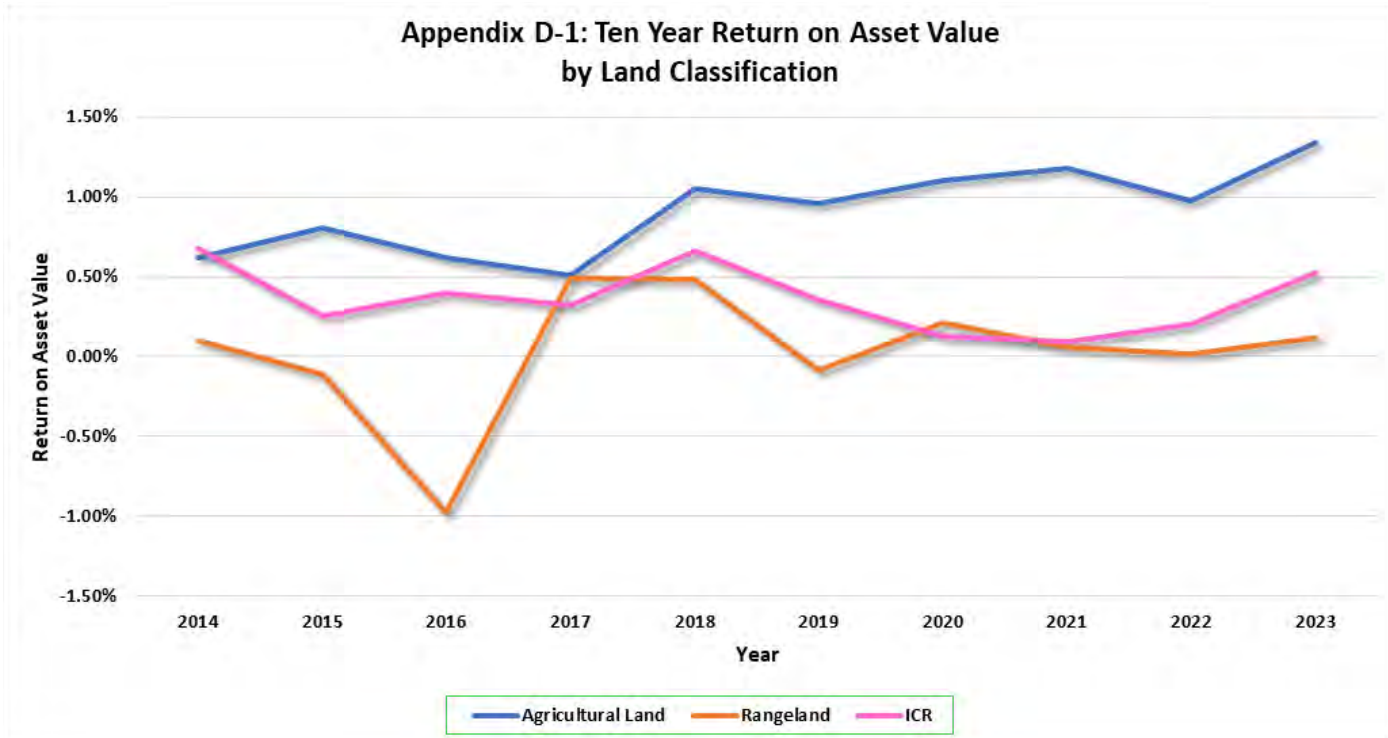
Appendix C

FY2023 Market Value and Performance by Land Classification

LAND CLASSIFICATION	2023 NET OPERATING INCOME	MARKET VALUE (MILLIONS - FROM 2022)	2023 RETURN ON ASSET VALUE
Agricultural Lands	$ 239,332	$ 17,850,000	1.34%
Rangelands	$ 204,066	$ 175,950,000	0.12%
ICR Lands	$ 241,433	$ 46,000,000	0.52%
Elliott Forest	$ (4,003,480)	$ 220,800,000	-1.81%
ODF-managed Forestlands	$908,409	$ 91,650,000	0.99%
DSL-managed Forestlands	$211	$ 19,450,000	0.00%
All Forest Lands	$ (3,094,860)	$ 331,900,000	-0.93%
Totals	$ (2,410,029)	$ 571,700,000	-0.42%

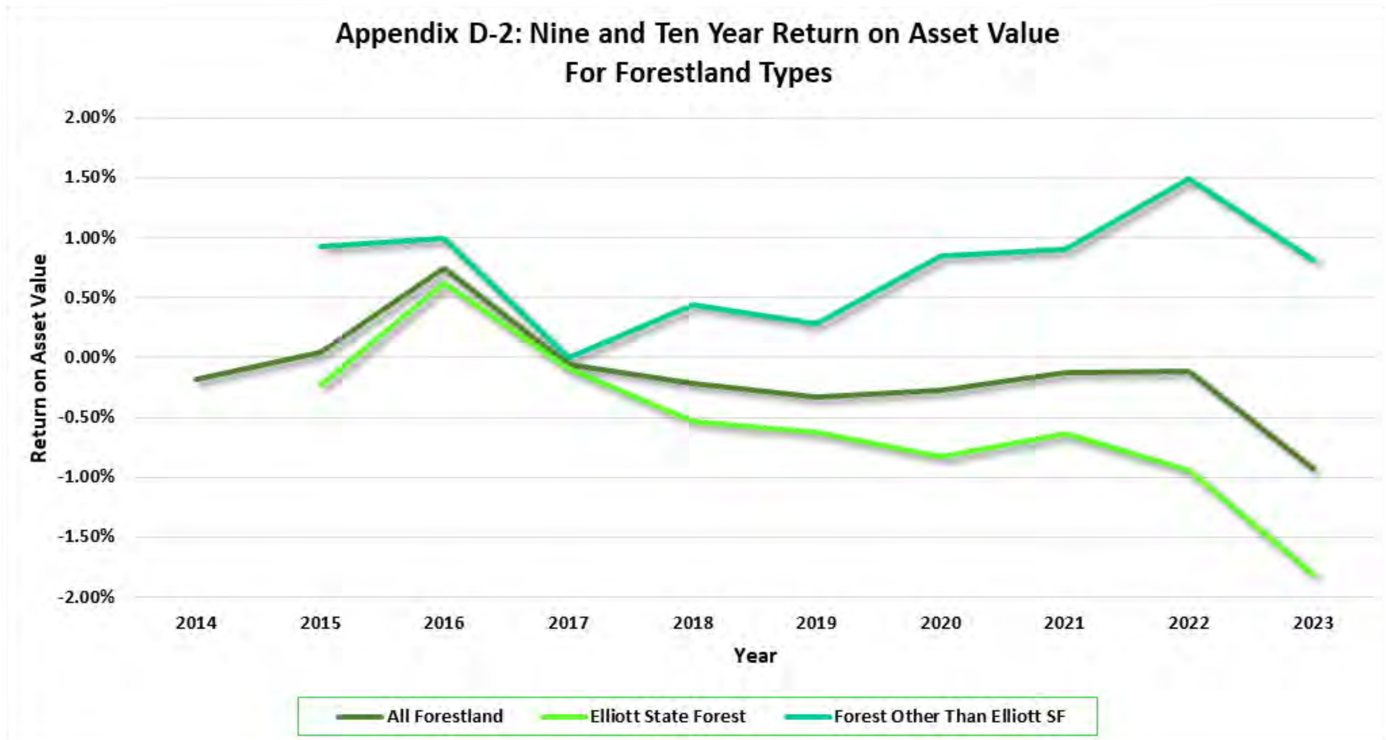
Appendix D-1: Return on Asset Value Graphs

Return on Asset Value for Agricultural Lands, Rangelands, and ICR Lands



Appendix D-2: Return on Asset Value Graphs

Return on Asset Value for Forestlands



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State Land Board

Tina Kotek
Governor

LaVonne Griffin-Valade
Secretary of State

Tobias Read
State Treasurer

M E M O R A N D U M

Date: February 13, 2024

To: Governor Tina Kotek
Secretary of State LaVonne Griffin-Valade
State Treasurer Tobias Read

From: Vicki L. Walker
Director

Subject: Elliott State Research Forest Update

In December 2023, the State Land Board affirmed continued desire to create the Elliott State Research Forest and supported a pathway framework outlining key actions, steps, and considerations for continuing work to establish the ESRF in 2024.

The Department of State Lands has translated the framework into a draft FY24 workplan that focuses on:

- Developing and implementing a management structure for DSL ownership and management of the forest as a research forest.

- Establishing a public oversight structure that includes a Board of Directors appointed by the Land Board.

- Addressing recommendations in DSL's 2023 ESRF financial viability determination through development of a business plan and FY 2025-27 budget for the research forest that shores up approaches to costs and revenue.

- Revising the Forest Management Plan drafted by Oregon State University to reflect DSL management and consistency with other Land Board pathway framework direction.

- Updating the Habitat Conservation Plan to reflect DSL management and completing the federal process to obtain Endangered Species Act incidental take permits.

- Solidifying research partnerships and research entity pathways, looking first to OSU.

An interim advisory group has been appointed by the DSL Director to guide workplan development and early execution. Timeline, tasks, and completion targets are outlined in the attached draft Elliott State Research Forest 2024 Workplan.

DRAFT Elliott State Research Forest 2024 Workplan

	January-February	March-April	May-June
DSL Management Structure	• Identify key positions / roles; new vs. existing FTE; contracted services • Finalize org chart and positions • Begin executing contracts	• Recruiting and hiring process for ESRF staff • Contracts executed for near-term work	• ESRF base staff hiring ongoing (complete by fall 2024)
Oversight Structure	• Develop oversight board structure	• Adopt oversight board structure and appointment process	• Board appointed (June)
Business Plan and Budget	• Draft business plan, FY 25-27 budget • Advance $4M in 2024 Legislative Session • Evaluate carbon / other fund paths	• Secure $4M in 2024 Legislative Session • 2025 DSL budget process: stakeholder engagement; POP approval by Land Board (June) • Determine carbon / other fund paths	• Commit / spend $4M secured in Legislative Session • 2025 DSL budget process: Finalizing ESRF POP in agency request budget • Advance carbon / other fund paths
Forest Management	• Update Forest Management Plan (based on OSU plan) • Identify contractor assistance for near-term Operations Plan	• Operations Plan: contractor work • Draft Forest Management Plan: public input (begin April)	• Forest Management Plan approved (June) • Draft Operations Plan: public input
Habitat Conservation Plan	• Final revisions to Federal Services	• Federal Services review	• Federal Services work; final environmental impact statement preparation
Research & Partnership Pathways	• Informal communications with OSU • Tribal consultation(s) • Shutter Creek: Identify contractors / process • Verify / assess other partnerships	• Resolve research path: OSU or other • Tribal consultation(s) • Shutter Creek: resolve redevelopment process • Advance other partnerships	• Research entity and operations connection • Tribal consultation(s) • Shutter Creek: advance redevelopment process with DAS • Advance other partnerships
Land Board and Advisory Group Timeline			
Advisory Group	**January-February Focus:** Management structure, oversight structure, forest management and operation plans	**March-April Focus:** Business plan and budget, forest management and operation plans, research partnerships	**May-June Focus:** Research partnerships, forest management and operation plans
Land Board	**February Meeting** Update: ESRF 2024 Workplan	**April Meeting** Action: ESRF POP for 2025-27 Updates: Draft Forest Management Plan; oversight board structure and process; Operations Plan; carbon	**June Meeting** Actions: • Forest Management Plan • Oversight board appointments • Housekeeping: 1000 Road; Shutter Creek