



Oregon

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State Land Board

Comment Opportunity: Land management plan to support Oregon's K-12 public schools for generations to come

Tina Kotek

Governor

Land management decisions at the Department of State Lands are guided by a key policy document that has recently been updated and is now available for public comment, the Asset Management Plan. The updated plan guides the Department's management of rangelands, forestlands, and other lands dedicated to supporting K-12 public schools for generations to come.

LaVonne Griffin-Valade

Secretary of State

Tobias Read

State Treasurer

See the proposed plan here: www.oregon.gov/dsl/lands/Pages/2023plan.aspx

It's important you have an opportunity to share feedback because the plan will impact the next ten years of land management at the Department. The comment period is open until **April 3, 2024**.

Questions? Contact Brian Cochran at brian.cochran@dsl.oregon.gov

Attend a Public Meeting and Provide Feedback

Feedback on the proposed plan can be provided during upcoming public meetings. The meetings will begin with an information session, followed by a public hearing. Meeting recordings and materials will be made available on the DSL website:

Info Session and Public Hearing (Online)

Tuesday, March 12, 2024 at 12:30 p.m.

Meeting ID: 843 0795 2373

- Attend online:
<https://us02web.zoom.us/j/84307952373?pwd=TFZxKzAyQzIzdERqTiszZWRvSk93QT09>
(Passcode: DSL2024!)
- Attend by phone: 1-669-444-9171 (Passcode: 33633408)

Info Session and Public Hearing (in-person only in Burns, Oregon)

Thursday, March 14, 2024 at 6:00 p.m.

Harney County Chamber of Commerce

484 North Broadway Avenue

Burns, Oregon 97720

Comments may also be submitted in writing through an online form at www.oregon.gov/dsl/lands/Pages/2023plan.aspx, emailed to real.property.dsl@dsl.oregon.gov or mailed to DSL (Bend Field Office) at 951 SW Simpson Ave., Suite #104, Bend, OR 97702

The comment deadline is April 3, 2024.

After the public comment period and public hearings, the proposed plan will be brought before the State Land Board for a decision. Written and verbal testimony is accepted at the Land Board meetings, sign up for meeting notices here: www.oregon.gov/dsl/Pages/news.aspx

Additional Background

School lands have supported public education in Oregon since statehood, when Congress provided sections 16 and 36 of every township “for use of schools.” Today, the Oregon Department of State Lands manages Oregon's 681,000 acres of school lands to generate revenue for the Common School Fund and other benefits.

This 2024 Asset Management Plan is different from previous plans in the following ways:

- Increases focus on renewable energy, partnership projects, wildfire resiliency, and strategic action in land management.
- Shifts the focus from sale of low performing lands to maintaining and improving the lands retained by the Department.
- Adds four new land classifications specific to Department programs to better define what lands are covered in this plan and to help with Department reporting.
- Excludes lands managed by other Department programs. Other programs manage an additional 93,000 acres, all of which are statutorily dedicated lands. Management of state-owned waterways, statutory lands managed by the South Slough Reserve, and the Elliott State Forest are not covered in this plan.

Want to learn more about the Real Property program? Check out the 2023 annual report here: <https://www.oregon.gov/dsl/lands/Pages/state-lands.aspx>

Draft

Oregon Department of State Lands

Asset Management Plan

For School Lands

2024

**Guiding Management of Land
to Support Oregon's K-12 Public Schools
for Generations to Come**

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Introduction

165 years ago, on the same day Oregon became a state, approximately 3.4 million acres of land was granted by the United States to our new state “for the use of schools.”

Throughout Oregon’s history, these school lands have helped fund public education. Revenue from leasing rangelands to ranchers, selling timber from forestlands, or strategically planning and selling school lands all goes to the Common School Fund.

This 2024 Asset Management Plan seeks to continue Oregon’s school land legacy and the historic role of the State Land Board – the Governor, State Treasurer, and Secretary of State – in overseeing the Common School Fund and the lands dedicated to long-term, multi-generational support of Oregon’s K-12 public schools.

This Asset Management Plan is intended to guide the land management decisions of the Department’s Real Property Program. The Real Property Program manages 681,000 acres of school lands, including all of DSL’s constitutionally dedicated lands and a small portion of statutorily dedicated lands – *see the Defining “School Lands” box to learn more*. The program houses experts on rangeland and forest management, land authorizations, commercial leasing, land ownership, preservation of archaeological and cultural resources, and transactions such as land and mineral rights sales, exchanges, and acquisitions. The Real Property Program additionally handles mineral rights leasing and sales for all other state agencies, and acts as the repository for all deed records for all state agencies.

What This Plan Does and How It Was Developed

In 1995, the Oregon Legislature directed the Land Board to adopt an asset management plan to guide the management and disposition of real estate under the Department’s jurisdiction to improve long term financial performance and revenue generation.

The Asset Management Plan provides policy guidance, management standards and principles, action areas, and measures regarding school lands entrusted to the Department on behalf of the Land Board to provide the greatest benefit for the Common School Fund and the people of Oregon. Updating this Asset Management Plan is also a critical strategy to meet the Supporting Schools goal in the Department’s Strategic Plan (see Appendix B).

This 2024 Asset Management Plan is the fourth version since 1995. It has been developed by looking back over the history of the school lands, as well as looking forward to changes in land management. Program staff reviewed management plans of other states with school lands as guidance, but the draft began with a collaborative information session in April 2023 to engage with stakeholders and the public. The public again had an opportunity to guide content and

direction when a complete draft was presented in March of 2024 for public comment. For a more detailed timeline of plan development, see Appendix C.

This 2024 Asset Management Plan is different from previous plans in the following ways:

- Increases focus on renewable energy, partnership projects, wildfire resiliency, and strategic action in land management.
- Shifts the focus from sale of low performing lands to maintaining and improving the lands retained by the Department.
- Adds four new land classifications specific to Department programs to better define what lands are covered in this plan and to help with Department reporting.
- Excludes lands managed by other Department programs. Other programs manage an additional 93,000 acres, all of which are statutorily dedicated lands. Management of state-owned waterways, statutory lands managed by the South Slough Reserve, and the Elliott State Forest are not covered in this plan. More information about those lands and their land classifications are detailed in Appendix A.

This plan is referenced by staff in strategic planning, read by members of the public to engage on land management practices of the Department, and used by other state agencies to understand opportunities to work together. Throughout the plan, there are connections to the Department's Strategic Plan, other Department programs, and key documents that guide Department operations.

Overview – Plan Structure

The Plan starts with guiding principles, including an overview of land ownership types and how they affect management and the Common School Fund. The guiding principles provide an umbrella in which all management decisions are made.

Following the guiding principles, the seven primary land classifications are defined. For each land classification the characteristics, management requirements, performance expectations and opportunity considerations are discussed. Maintaining a system to classify and accurately inventory land assets is a fundamental objective for the Department. While the Common School Fund is a throughline of this Plan, land classification is the basis for accurate communication and reporting. Whether talking about sage grouse habitat on rangelands or solar arrays on renewable energy lands, the Department organizes management around land classification. Once the land classifications are defined, the Plan discusses twelve action areas the Department has identified as priorities during the course of this Plan. These action areas are broken into the following categories:

- Administrative rule updates and expansion
- Data modernization
- Maintaining land ownership
- Land access

- Streamlining performance reporting
- Increasing forestland performance
- Increasing active forestland management
- Complete in-lieu acquisitions
- Renewable energy market expansion
- Options for ecologically important lands
- Opportunities for lands in urban areas
- Focusing on partnerships and projects

The final section of the Plan looks at performance and measuring success. For example, measuring outcomes of land management in terms of revenue, expenses, and net operating income.

Finally, there are many references to other programs, management, and methods used in the Department. Many of these details are placed in Appendices. Appendix A covers other DSL program land classifications. Appendix B covers related plans and documents of the Department, including the Strategic Plan, which is closely tied to this Asset Management Plan. Appendix D and E are guidelines and criteria for land evaluation and acquisition.

The main theme throughout the document is to achieve increasing returns to the Common School Fund while maintaining sound land stewardship, which in turn provides public schools in Oregon with sustainable resources children need to learn and thrive.

Guiding Principles and Considerations

Defining “School Lands”

Throughout this plan, the term “school lands,” may be used to generally refer all the lands managed under this document, which includes both lands dedicated to State Land Board and Department management by Oregon’s constitution (“constitutionally dedicated lands”) and lands dedicated by statute (“statutorily dedicated lands” or “statutory lands”). The majority of school lands are constitutional lands, dedicated to the Common School Fund. Four percent are statutory lands. The management of school lands and statutory lands are similar in most situations. Statutory land details are called out, where needed.

Considerations for Management of Constitutionally Dedicated School Lands

Constitutionally dedicated school lands were granted to Oregon upon statehood “for use of schools” and constitutionally dedicated to Land Board management. These lands are managed “with the object of obtaining the greatest benefit for the people of this state, consistent with the

conservation of this resource under sound techniques of land management.” When managing school lands, the Real Property Program considers the following guiding principles, which have existed in similar forms in past asset management plans. These statements are intended to serve as guidelines for the Department:

- The Land Board and Department will continue to manage school lands to create a sustained and consistent stream of revenue to assist in building the principal of the Common School Fund, thereby increasing annual distributions to schools.
- The Land Board and Department recognize the need to balance revenue enhancement and resource stewardship to ensure lasting resource protection while still meeting obligations to schools.
- The Land Board and Department will undertake opportunity-driven land acquisitions and sales in the best interest of the Common School Fund with land retention to be prioritized on performing lands. All acquisitions and sales will consider targeted returns of at least eight percent and use real estate investment guidelines and land evaluation criteria.
- The Land Board and Department will use appropriate measures and partnerships in land management to conserve natural and cultural resources, unique geologic and physical features, and sensitive and threatened species.

In leasing lands for the purposes of Common School Fund investments, the Land Board will negotiate, bid or solicit proposals to maximize financial benefits. However, consideration will also be given to protection and conservation of all natural resources, consistent with the requirements of federal and state law. These considerations include recreational resources and enjoyment, public health, and conserving plants, wildlife, and aquatic resources.

In a changing climate these considerations also include protecting property and human life, especially regarding wildfires and managing fuels that can accumulate on state lands. Land transactions, leases, investments in land improvements and other management considerations may be made if it is determined that such action will enhance school land value, including income, for the benefit of future contributions to the Common School Fund.

When considering the sale of school lands, the Department must evaluate if the property is situated such that management is not feasible or practical, if the property has resources that might be better managed by another state agency, or if the sale results in the conservation of the property for continued public use and access. With these in mind, there must also be a focus on the financial benefits to the Common School Fund, because the sale of property represents a one-time-only benefit to the Common School Fund. Lands near urban areas may best benefit the fund by being sold for development. Most remaining school lands are leased for various uses and have been actively managed for decades.

Considerations for Management of Statutorily Dedicated School Lands

The Department also oversees statutory lands dedicated to Land Board or Department management through the direction of the Oregon legislature. Of the lands covered by this plan, about 4% are statutory lands. These lands are managed to obtain the greatest benefit for the people of the State and to achieve legislative directives that are specific to each land dedication, including the protection of Public Trust Rights for state-owned waterways. These lands are not dedicated for the “use of schools” and do not share the objective of generating revenue for the Common School Fund, but uses of these lands may contribute to the statutory portion of the Common School Fund.

Most statutory lands managed by the Department are the bed and banks of Oregon-owned waterways. Oregon-owned waterways include navigable rivers, tidally influenced waterways, the three miles of the territorial sea, and meandered lakes. In accordance with the Oregon Public Trust Doctrine¹, the paramount goal of the State’s management of waterways is to avoid unreasonable interference with public rights for navigation, recreation, fisheries, and commerce.

Other statutory lands under the jurisdiction of the Department include the Elliott State Forest, the South Slough Reserve, properties deeded to the state as part of the Swamp Lands Act of 1860, and lands acquired through land exchanges involving other statutory lands. For more information on these lands, see Appendix A.

Land Classifications

Overview

One important aspect of the Department’s work is a system to classify and accurately inventory land assets managed by the Department. Maintaining an accurate inventory allows the Department to report on annual revenue and authorizations issued for each land classification.

While the land classification is a descriptive name based on the natural resources and primary uses of a property, subclassifications are used to further describe properties. For forestlands, the subclassification might describe if the property is part of a block or isolated. For rangelands, the subclassification might describe if the property is actively leased or not. In some cases, subclassifications are used to help describe a property that has a different use than its resource classification may suggest, such as a grazing lease on forestland.

Other land uses, such as telecommunications sites, pipeline easements, public recreation, and road rights-of-way do not have land classifications, but may also exist on school lands.

¹ Public Trust Doctrine prohibits the state from taking action that would materially impede or substantially impair the public rights to use the waters for navigation, fishing, commerce, and recreation.

Classification Changes of Note: Minerals and energy were previously combined as one classification. Going forward, the mineral lands classification will indicate mineral reservations held, or mining and resource extraction below the surface of a property, while the renewable energy lands classification will refer to lands converted to generate or store energy through solar, wind or geothermal means.

Below are the seven primary land classifications covered by this plan. The Department may consider other management opportunities on these lands, including different land use options, methods to manage, or authorize uses that impact land classifications.

Agricultural Lands

There are approximately 7,000 acres of lands classified as agricultural lands all of which are located within central and eastern Oregon. The lands may be developed (for example, cultivated or irrigated) to produce all types of agricultural commodities.

Agricultural lands have a significant impact on rural economies of central and eastern Oregon, providing crop production opportunities to local farmers.

The majority of agricultural lands are school lands, with only 2 acres (0.03%) that are statutory lands.

Characteristics of the Agricultural Land Classification

Agricultural lands may possess a combination of characteristics such as:

- Class I-IV soils as identified by the National Resource Conservation Service’s Soil Capability Classification System.
- Climate and growing season conducive to crop production.
- Precipitation and water availability required for crop production.
- Water rights held by the Department.

Management Requirements

When land is converted into agriculture, the native vegetation is removed for the purpose of crop production as the primary use. Agricultural lands are usually irrigated, though non-irrigated farmland is included in this definition. For a property to be classified as agricultural lands, it must be under lease for agriculture or in the process of being converted to agriculture. While the Department strives for multiple-use opportunities on lands under its jurisdiction, agriculture is inherently a single use that may restrict public access.

Performance Expectations

Although agricultural lands comprise a small portion of the asset base and revenue, these lands are expected to continue providing a stable flow of revenue. Agricultural lands perform substantially better economically than rangelands. Conversion from rangeland to agricultural

lands, where feasible, is a viable means of enhancing Common School Fund revenues. However, acquiring water rights is a limiting factor in agricultural conversion.

Opportunity Considerations

In certain scenarios, the Department can increase the income generated on a property by converting it into agricultural lands. For this to be done, typically, the Department must have water rights for irrigation and the property must be located where soil is capable of growing crops, ideally in an area where there is already agriculture present.

Forestlands

There are approximately 41,000 acres of forestlands under the purview of the Real Property Program, see Figure 1. Most of these forestlands are in western Oregon. State forestlands provide many resource values for Oregonians, including clean water, recreation, fish and wildlife habitat, and carbon sequestration, all while supporting local economies through the sustainable harvest of timber.

Forestlands are nearly all school lands. Less than 0.5% of forestlands are statutory; about 180 acres of forestlands were received in a land exchange that involved statutory lands.

Characteristics of the Forestland Classification

Lands in the forestland classification may possess a combination of characteristics such as:

- Dominant vegetation is comprised of coniferous trees or other woody vegetation.
- A stratified structure which includes the forest floor, understory, and canopy cover.
- Forests typically contain many microbiomes that contribute to diverse plant species and wildlife habitats.

Forestlands on the west slopes of the Coast Range are the most productive for timber harvest. Forestlands on east slopes of the Coast Range and foothills of the Cascades are moderate to highly productive sites. Forestlands in the southwest, Klamath Basin, and eastern Oregon tend to be slower growing and the least productive due to drier climates.

Management Requirements

The Department has two subsets of forestland classification, DSL-managed and Oregon Department of Forestry (ODF)-managed forestlands.

ODF-Managed Forestlands. Currently there are 28,000 acres of forestlands referred to as either “Common School Forest Lands,” “certified forests,” or ODF-managed forestlands. The Land Board and ODF have entered into an agreement for ODF management of these forestlands.

The majority of ODF-managed forestlands are in the Western Lane, Tillamook, and Western Oregon ODF Districts.

DSL-Managed Forestlands. Currently, there are about 13,000 acres of DSL-managed forestlands, also known as “noncertified forestlands,” that have been determined to be not well suited for growing of timber or other forest products.² These forestlands are typically on slower growing sites, and marginally capable of producing income from timber harvest. The DSL-managed forestlands consist of many scattered parcels lying primarily east of the Cascades. These forestlands are managed directly by Department staff in the Real Property Program with the goal of maintaining forest health and reducing the risk of wildfire.

Performance Expectations

Forestlands have historically generated most of the Department’s asset revenues. Between 2013 and 2024 forestlands have incurred more expenses than revenue due to the Elliott State Forest. However, moving forward, the Elliott will no longer be reported as part of the Real Property Program as it has been decoupled from the Common School Fund, set aside for management as a research forest, and will have its own land classification.

The remaining ODF-managed and DSL-managed forestlands are expected to generate more net revenue. Costs are expected to decrease as the management of certain forestlands transfers from ODF to DSL, and revenues are expected to increase with the hiring of a forester to manage lands east of the Cascades.

Opportunity Considerations

In addition to timber management, other opportunities for income generation exist on forestlands, including forage leases, communication site leases, and firewood and forest product collection permits. In 2024, there were approximately 7,600 acres of forestland under 16 forage leases for livestock grazing. Communication sites exist in forestlands and the number of sites may be expanded with future leases.

There are many forest health funding opportunities available to the Department through partnerships. The Department is collaborating with neighboring landowners and other entities on forestland projects aimed at reducing wildfire risks and promoting healthier forests.

Other opportunities being explored for revenue include enrolling forestland in carbon sequestration or similar credit programs.

Industrial/Commercial/Residential (ICR) Lands

The Department currently has approximately 4,000 acres of lands classified as ICR. Less than one percent of ICR lands are statutory lands.

² See Oregon Revised Statute 530.450-530.520; ORS 530.460(1) "...primarily suited for the growing of timber and other forest products."

Characteristics of the ICR Land Classification

Lands in the ICR land classification must be in, or near, an urban area, or urban growth boundary, and may possess a combination of characteristics such as:

- Have the strong potential for being zoned for industrial, commercial, or residential uses.
- Be rural lands that are located outside urban growth boundaries if they are designated for use as urban reserves or located within urban unincorporated communities.

Management Requirements

When DSL classifies a property as ICR, the management of that land is focused on preparing the land for future development through actions such as rezoning the property or applying to have the property incorporated into an urban growth boundary.

Performance Expectations

The performance of ICR lands is a significant income producer, typically through sale of the property. Preparing a property for sale and completing land use planning is a significant cost in staff time. Holding a property until it is sold requires staff time and management activities such as patrolling or managing vegetation to reduce fire risk. The increase in value of the property over time and through land use planning results in significant returns to the Common School Fund. While the Common School Fund benefits from ICR land sales, they are a one-time financial uplift.

ICR lands may have other opportunities for sustainable annual income. Management of ICR land, including development and administration of industrial, commercial, or residential leases may add to staff workload, but could sustain annual net benefits to the Common School Fund.

Opportunity Considerations

While ICR lands typically exist as bare land that is intended to be sold, there may be opportunities to retain ownership and manage developed lands. Managing developed ICR lands may include allowing commercial development on state lands while leasing the ground or may involve managing a commercial building with tenets.

The sale of ICR lands contributes a one-time input to the Common School Fund, but these lands tend to be valued in the millions. The sale price accrues to the Land Revolving Account within the Common School Fund which may be used for future investments or acquisitions³³. ICR lands have the potential to contribute to community development needs such as increasing the amount of industrial land supply or setting aside land for certain housing needs. Since the returns on ICR lands have the potential to be very high, the Department may consider opportunities by using the Revolving Account funds to acquire more ICR lands that would benefit from land use planning or development. The 2012 Real Estate Asset Management Plan included general acquisition guidelines for investing in ICR lands. A portion of these guidelines are incorporated into the current Plan as General Acquisition and Investment Guidelines (see Appendix D). These guidelines detail various criteria for locations, sizes, uses, and returns on investment for examining acquisitions of bare land for development into ICR lands.

³³ Oregon Revised Statute 273.413

Mineral Resource Lands

Oregon is typically not considered a mineral rich state because there is no notable oil and gas production. Despite that, there are several mineral related activities that occur on various DSL land classifications such as rangelands, forestlands, and ICR lands. These mineral activities may not be the dominant use for those lands, and therefore there is not a need to change the classification to mineral resources.

The Department is responsible for the management, leasing, and sale of state-owned mineral rights on over three million acres throughout Oregon. The Land Board is responsible for managing mineral and geothermal rights on most lands owned by the State, including 2.5 million acres of mineral rights held by other State agencies, such as Oregon Department of Forestry and Oregon Department of Fish and Wildlife.⁴ In 2024, DSL administered two mining leases on State lands managed by other agencies. Proceeds from those leases benefit the Common School Fund.

For the state-owned lands under Department jurisdiction, there are 270,000 acres of inactive mineral rights underlying surface lands with other land classifications. The Department also reserved mineral rights on 768,000 acres of land formerly owned by the state. Even though the surface rights of these lands are no longer owned by the state, the subsurface mineral and geothermal rights have been retained by the state, see Figure 2.

Lands in the mineral resource land classification are either:

1. “Split estates.” These are lands where the state sold the surface rights but retained the subsurface mineral rights. The majority of lands in the mineral resource classification are subsurface rights retained by the Department that may be developed for mineral extraction. In 2024, there is one active mining lease of mineral rights on a split estate.
2. Mining lease. In this situation, the state holds both surface ownership and subsurface rights on lands actively leased for mining production. While the Department retains mineral rights on subsurface lands in other classifications (such as rangeland or forestland), those lands are not classified as mineral resource land unless mining becomes the dominant use. In 2024, there is one lease for mining diatomaceous earth in Malheur County, covering 659 acres of school land.

Characteristics of the Mineral Resource Lands Classification

Lands in the mineral resource classification may include the following characteristics:

⁴ Oregon Revised Statute 273.780.

- Material (mineral resources⁵) existing below the earth’s surface that may be extractable in economically significant quantities.
- Natural deposits of metals or precious metals.
- Natural deposits of oil, gas, or other liquids of economic value.
- Natural formations of substrate that allow for the storage of certain substances below the earth’s surface.
- Naturally occurring geothermal heat, or a substrate structure conducive to the generation of geothermal heat.
- Substrate material and structure that have no significant economic value.

Management Requirements

In the event extraction of mineral resources changes the dominant use of a property from any of the other classifications, such as rangelands or forestlands, that property may be reclassified to mineral resource lands. Examples include a large development for an open pit quarry, surface hard mineral mine, drilled natural gas well, or a brine extraction facility for a soluble mineral such as lithium. Smaller subsurface mineral extraction, such as natural gas, mineral water, or geothermal brine, may not result in the parcel being changed from the existing classification associated with the dominant land use.

The Department is responsible for handling requests for release of mineral rights that were retained by the Department, as well as the sale or release of mineral rights that are held by other state agencies. Landowners often contact the Department to request that the Department release mineral rights held by the State. These requests may be simple to resolve in the case of small properties in residential areas. However, other properties, that are not zoned for residential use or outside an urban growth boundary, may be more complicated to resolve.

Performance Expectations

Although the state retains many subsurface rights, mineral development is not common as Oregon geology offers few lands with valuable minerals or fossil fuels. Active mining operations are leased on only a few acres of land under the Department’s jurisdiction. However, future potential for development and performance remains.

Opportunity Considerations

There are several land parcels in southeast Oregon within or near the McDermitt Caldera where the state has retained mineral rights. This area has been identified as rich in lithium deposits, which is in recent high demand for battery production. The Department will engage with prospectors interested in possible development of mining where state mineral rights exist.

⁵ The legal definition for mineral resources is as follows: “Mineral resources refer to oil, gas, sulfur, coal, gold, silver, copper, lead, cinnabar, iron, manganese and other metallic ore, and any other solid, liquid or gaseous material or substance excavated or otherwise developed for commercial, industrial or construction use from natural deposits situated within or upon State lands, including mineral waters of all kinds.”

If opportunity opens for mining in split estates, where the state has reserved mineral rights but no longer owns the surface land associated with those rights, the Department will receive a share of the revenue produced as owner of the mineral rights.

Similarly, if opportunity opens for mining on rights the Department is managing for other State agencies, DSL will receive income for the Common School Fund from the extraction of minerals from these lands in the form of royalties on the value of the minerals mined, as prescribed by statute and administrative rules.

Rangelands

The largest portion of school lands is made up of rangelands in Central and Southeast Oregon, see Figure 1. Over time, many Department rangelands have been consolidated, mostly through land exchanges to form larger blocks. These blocks allow much more efficient management than scattered, isolated rangeland properties.

Rangelands have a significant impact on rural economies of central and eastern Oregon, providing grazing opportunities to local ranchers.

There are over 25,000 acres of rangelands that are statutory lands, which is about 4% of this this classification. These lands were granted to the Department through the Swamp Land Act of 1860 and are typically lands around the edges of a waterbody, but some are dry with grass as the primary vegetation or seasonal lakebeds.

Characteristics of the Rangeland Classification

Rangelands have the following characteristics:

- Arid or semi-arid (dry) soils.
- Dominant vegetation types are bunch grasses and sagebrush, with associated grass and forb understory vegetation.
- Many rangelands have varied levels of western juniper and may exhibit some pockets of forested areas with ponderosa pine and other species.
- The predominant use of rangelands is livestock grazing, which is administered through forage leases.

Management Requirements

The Department administered 140 active forage leases on 624,000 acres of rangelands in fiscal year 2023. Additionally, there are approximately 18 forage leases on ICR lands and forestlands with a subclassification of rangelands. Of these 158 forage leases, 49 are leases on large, blocked parcels of more than 1,000 acres each. The remaining 109 leases are on smaller, isolated parcels. The small portion of statutory Swamp Land Act rangelands are managed pursuant to the same standards as school lands.

When allowing the use of rangelands for grazing, the carrying capacity and grazing rotation are always analyzed and documented. Coinciding with leased uses, rangelands typically require structural improvements such as fences, waterlines and stock ponds or stock wells.

Outside of grazing uses, rangelands must be managed to reduce the presence of invasive species and reduce wildfire risk resulting from invasive species. This type of management work is often done through partnerships with local Soil and Water Conservation Districts or County Weed Management Areas, or other local non-profit organizations, and is often completed using grant funds. This type of management work also serves the dual purpose of benefiting wildlife habitat and preserving ecosystem services that result from healthy rangelands.

Performance Expectations

Forage leases for grazing do not have high performance value, but as rangelands are the largest land classification and most of these lands are under active leases, rangelands are consistent for annual revenue generation.

Opportunity Considerations

Continued rangeland improvement projects such as juniper cutting, noxious weed treatments, and seeding with native grasses can improve habitat and forage availability thereby potentially increasing revenue. The Department partners with many entities to complete many habitat improvement projects that benefit sage grouse, promote fire resiliency, and other work that benefit lands, wildlife, and surrounding communities. These partnerships bring in funding that would otherwise be unavailable to the Department.

Other opportunities found on rangelands include easements, wood cutting permits, recreation, monitoring and scientific study, and communication site leases.

In addition, rangelands will play an important role in increasing revenue through leasing land for renewable energy developments, which may be a secondary use revenue similar to communication sites and quarries. Larger wind and solar energy projects may result in converting the land classification to renewable energy lands.

Renewable Energy Lands

As previously mentioned, mineral-energy lands have been split into mineral resources lands and renewable energy lands. There are currently no lands in this new renewable energy lands classification. There are a number of projects underway or under lease for renewable energy development. Renewable energy has the potential to significantly increase annual revenues, benefit the Common School Fund and contribute to Oregon's statewide clean energy goals.

Most solar energy, geothermal, and energy storage sites will be wholly converted and fenced which will require a classification change. However, wind energy facilities use minor amounts of acreage for equipment, which may allow forage or agricultural leases to continue at wind energy sites and keep the land classification consistent with the primary land use.

Characteristics of the Renewable Energy Lands Classification

Lands in the renewable energy land classification may possess a combination of characteristics that make them ideal for solar, geothermal, wind energy, or energy storage facilities. The Oregon Department of Energy's new mapping tools (<https://www.oregon.gov/energy/energy-oregon/Pages/ORESAs.aspx>) show potential sites for renewable energy and methods of land selection developed by consulting companies will help in research.

- Renewable energy sites depend on climatic or geological characteristics, such as high number of sunny days for solar energy or subsurface heat sources for geothermal energy production.
- Renewable energy lands must have a proximity to the electric grid.
- These lands must have roads that allow access in all conditions.
- These lands may not allow public access within the developed facilities.
- Renewable energy lands will transform from natural landscapes to an industrial appearance.

Wind energy developments have different characteristics. Wind turbines have a small footprint. During project development there may be a larger amount of land disturbance, but after construction is completed, the land may return to its primary vegetation cover. Renewable energy land may only be a subclassification on a wind energy site as grazing, agricultural, or other land classifications may be primary land use.

Management Requirements

Land management on renewable energy lands will likely be in the form of lease compliance management. The Department currently has three active solar leases on rangelands in preliminary stages of development, and there is interest in more developments. When construction is complete and renewable energy becomes the exclusive use of the property, the property will then be reclassified as renewable energy lands.

The Department is actively pursuing development of other renewable energy sites to its land, where feasible. This work may involve advertising lease sites through solicitation of competitive proposal processes.

Performance Expectations

Although no renewable energy sites have yet been fully constructed, a handful of properties are under lease for solar development. Renewable energy land classification would lead to significant increases in revenue generation in comparison to forage lease performance on rangelands. Renewable energy projects are successful in revenue generation for other states with similar programs.

Performance of renewable energy lands increase over time. When entering into a lease for renewable energy use, lease rates increase as the developments transition from demonstration phase to construction phase, to production phase.

Opportunity Considerations

The Department will develop a more robust understanding of lands that are appropriate for the renewable energy land classification through an analysis of renewable energy opportunities as identified in the Department's Strategic Plan. Known limiting factors for project development are electric grid access, sage grouse or other sensitive habitats, and existing forage leases at potential sites. Many rangelands are under long-term forage leases, which may require negotiation to alter lease terms. With the help of Oregon Department of Energy resources, and various other data sources, the Department will develop an analysis to prioritize future opportunities for renewable energy lands.

In addition, the Department will work with industry to identify marketplaces for offering up sites for renewable energy projects.

Special Stewardship Lands

Special stewardship lands are managed to ensure the protection of sensitive resources present. These important resources prevent normal management activities on school lands. Previously, this classification included all statutory lands managed under other DSL programs. Those lands have been given new classifications so that they can be distinguished from lands managed by the Real Property Program.

There are approximately 5,400 acres in this special stewardship classification, including about 200 acres (4%) of statutory lands.

Characteristics of the Special Stewardship Classification

Special stewardship lands may include any natural resource land type, such as grasslands, shrublands, wetlands, forests, and others. They are usually labeled special stewardship due to presence of important or sensitive resources or sites that would be damaged or disturbed under regular land management activities.

Special stewardship lands, see Figure 1, are managed to ensure the protection of these values, for example:

- Cultural resources.
- Ecologically sensitive sites, such as aquatic and riparian habitats.
- Threatened, endangered and sensitive species.
- Aesthetic or scenic value.
- Recreation destination.

Management Requirements

Special stewardship land management activities relate to resource protection, conservation and monitoring. Management of these lands is generally restricted by federal or state laws specifically applicable to the resources found on these lands. Most of these properties exhibit sensitive

plants or other sensitive resources where traditional management activities, such as forage leases or timber sales, are not possible.

Performance Expectations

Economic performance is not the main objective for these properties due to legal restraints imposed by applicable federal and state laws. Performance will be measured by continued protection and enhancement of special stewardship land characteristics.

Opportunity Considerations

Conservation easements, carbon programs, or other mitigation or protection incentives may be suitable opportunities to create economic performance while maintaining the intrinsic qualities of a special stewardship property. Special stewardship lands may also be ideal for land transfers to other agencies or organizations that are better suited to protect the sensitive resources of the property.

§

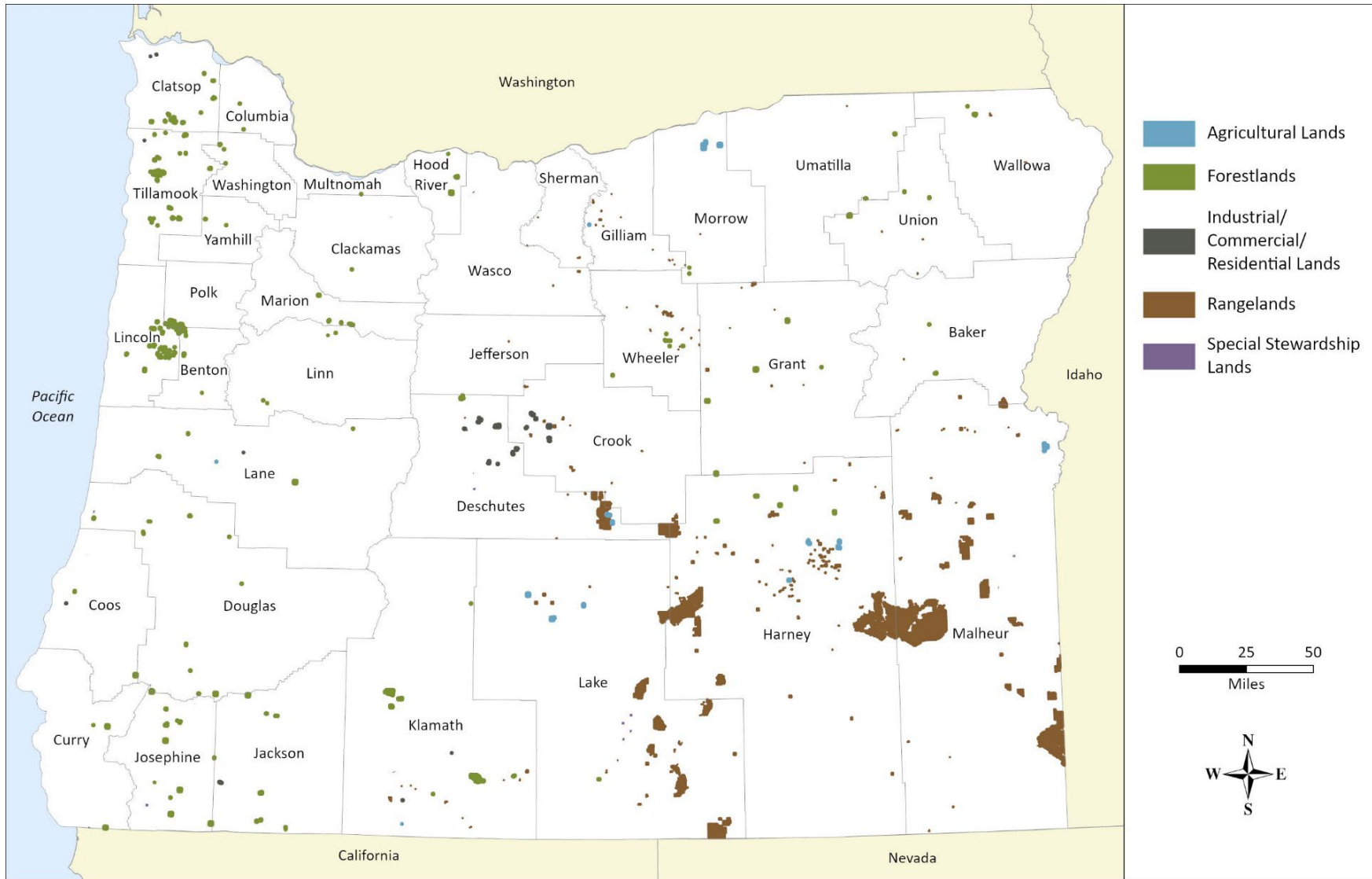


Figure 1. Lands Managed by Real Property Program

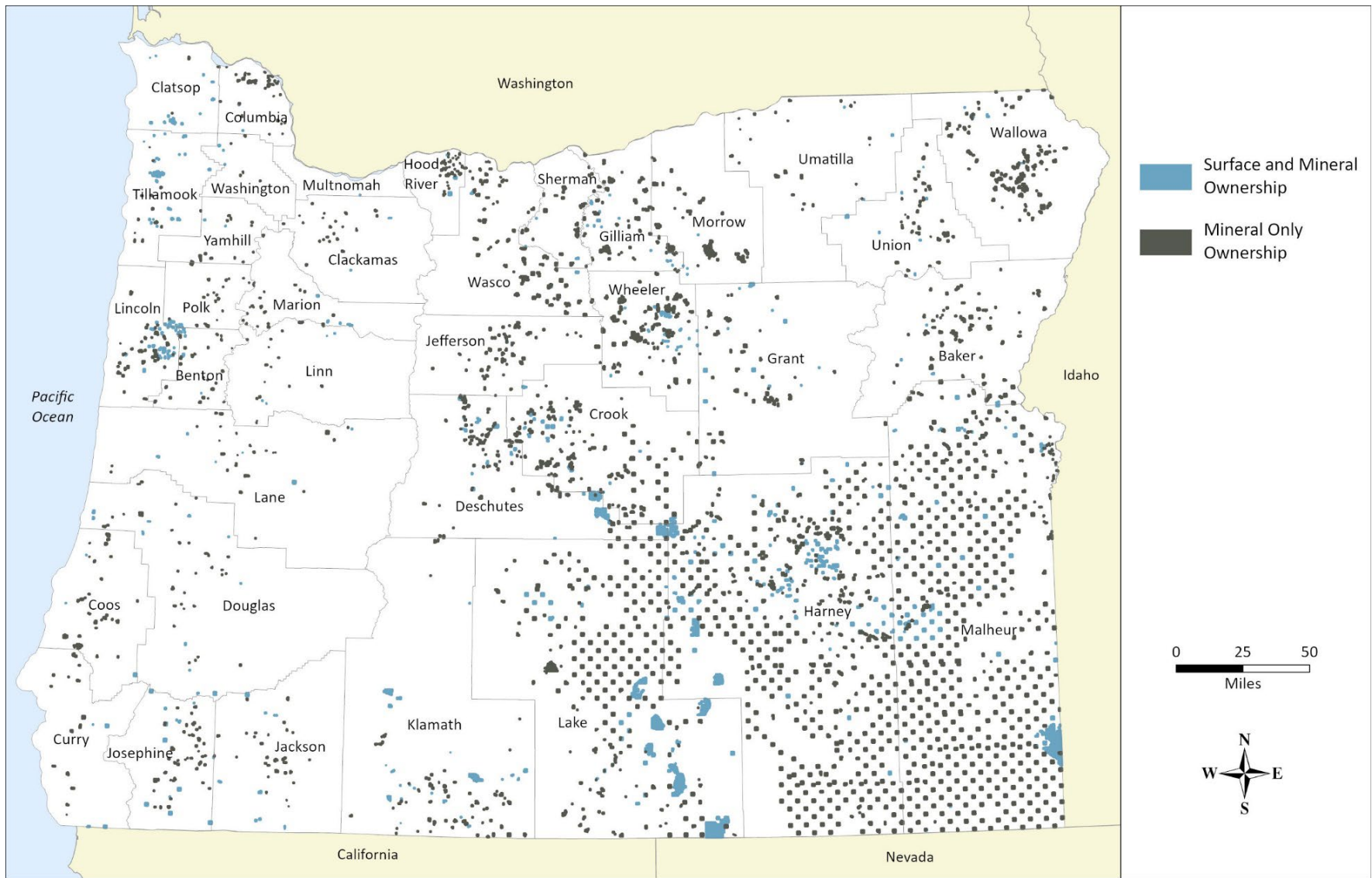


Figure 2. Mineral Rights ownership for DSL

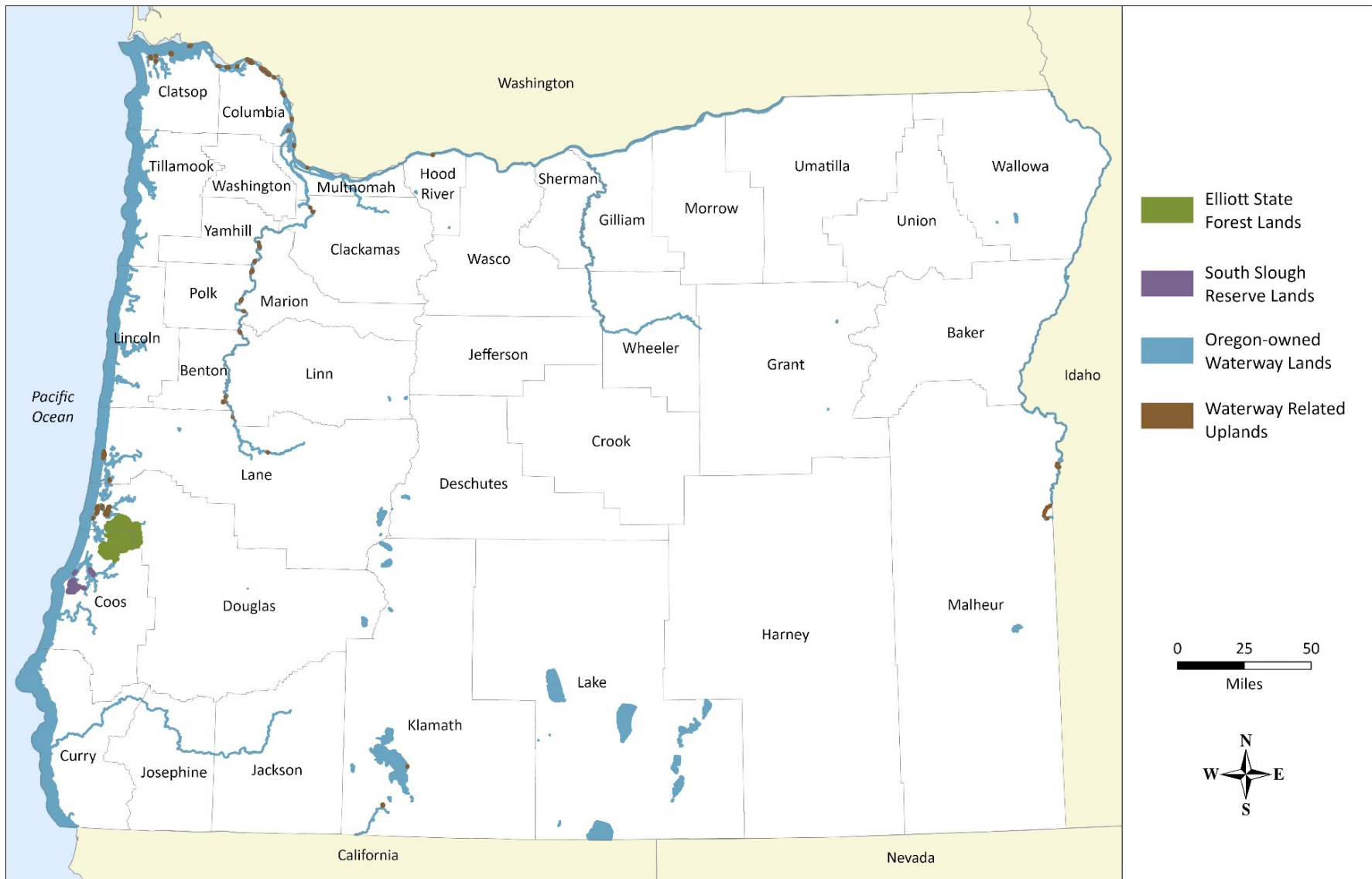


Figure 3. Lands Managed by other programs

Action Areas

Overall, the Department seeks to maintain and maximize the value of school lands under its jurisdiction, selectively selling only industrial, commercial, and residential lands for high returns.

The following twelve action areas aim to achieve outcomes of increasing revenue or reducing costs through four strategies:

- Increasing efficiency in management
- Increasing active management
- Increasing land uses
- Developing partnerships that include securing external funding

Increasing Efficiency in Management

1. Modernize Administrative Rules

Update administrative rules to improve efficiency in managing school lands and increase revenue to the Common School Fund.

There are several divisions of administrative rules which guide management of state lands, such as mineral leasing, that are antiquated and due for updating. Updating administrative rules is a proactive measure that keeps the Department current with industry standards and modern technology and provides an opportunity for the public to provide input on land management. Specifically, new rules are needed for renewable energy and updated rules are needed for mineral resources, special uses, and oil and gas leasing.

2. Transition to Paperless Processes and Electronic Records

Migrate to paperless records, digitize old files, expand land classifications, and use the Department's new permitting and information system for all land management activities.

The Department is engaged with software developers to design and implement a modern permitting and information system to replace an outdated database developed in the 1990s. Implementing the new system will provide efficiency in processing authorizations, with customers able to submit and track applications online, and support a full transition to paperless processes and electronic recordkeeping. Additionally, new land classifications will be implemented and changed in the new system, leading to improved record-keeping and reporting. The Department anticipates launching the new system and online customer portal in fall 2025.

3. Use the Common School Fund Revolving Account

Develop policies to use the Common School Fund revolving account to consolidate and expand the number of acres of school lands managed by the Department.

The land sale revolving account within the Common School Fund was established in 1987 and later revised in 1999. The account was set up to finance investments in land through the sale “...of isolated sections and fragments of sections of state lands which are not suitable for management according to long-range policies of the State Land Board.” The funds in the account “...are continuously appropriated for the acquisition of lands or other suitable investments as directed by the Board, in consultation with the Oregon Investment Council.”

Actions in this focus area will be to use the revolving account to acquire school lands in priority resource categories. The focus of acquisitions will be forestlands, agricultural lands, ICR lands, and lands suitable for renewable energy development. If used for ICR lands, the Department will use the investment guidelines (see Appendix D) which target eight percent return on investment. Exchanging isolated lands for lands adjacent to larger tracts will increase efficiency in management.

4. Legal Access to Lands

Prioritize, maintain, and develop legal access to all school lands.

There are isolated tracts of lands with no legal access for management. The Department will work with neighboring landowners, including federal agencies such as the Bureau of Land Management, to acquire easements, access agreements, or additional lands to connect access to public roads. Existing legal access will be protected and improved, where needed.

5. Depart from market value appraisals for management decisions

Transition to reporting revenue from school lands using net operating income and annual revenue.

For past asset management plans and reporting, market value appraisals were used on all school lands as a metric for evaluating annual management objectives. Land appraisals are expensive and time-consuming, and as the market constantly changes, so does the need to reassess property values. Market value is not a good indicator to evaluate successful management of school lands. The 2012 Real Estate Asset Management Plan acknowledged that this may not be a great metric for evaluating progress in meeting management objectives. The 2012 Plan introduced calculating “return on asset value” which compared income generated from leases to the market value of the property. This resulted in a scenario where the measure of success being reported could only significantly increase if land values decreased or lease rates skyrocketed, and when neither happened it became a detriment to the program. Secondly, market value does not adequately represent intrinsic values and long-term management and ownership of resource lands. Net operating income and annual revenue are better measures for evaluating performance of school lands over the long term.

The need for market value appraisals will still be necessary for land purchases, exchanges, and sales, but will not be used to measure annual performance on lands under Department management.

6. Transfer Appropriate ODF-Managed Forestlands to DSL Management

Reduce management costs of forestlands by identifying properties that would benefit from removing Oregon Department of Forestry as the designated manager and reinstate DSL management.

Currently, the Department and ODF have an interagency agreement that identifies “Common School Forest Lands” which ODF manages on the Department’s behalf. Through the agreement, the Department pays direct costs for on-the-ground management as well as indirect expenses such as administrative prorate and other ODF overhead costs. When combined with fire protection fees, this creates a high-cost management structure even for lands that produce lower revenues.

The Department identified 6,827 acres in the Klamath District that do not meet the definition of Common School Forestlands. Over \$200,000 can be saved annually by transferring management of these forestlands from ODF back to the Department through a process called decertification. On July 1, 2023, DSL and ODF agreed to decertify 4,907 acres, allowing those acres to fall back into Department management. The remaining 1,920 acres of Klamath District forestlands will be managed by DSL on July 1, 2024.

There may be other opportunities for decertification of forestlands in southwest Oregon.

Increasing Management Opportunities

7. Increasing Active Management of DSL-Managed Forestlands

Transition from passive to active management on DSL-managed forestlands to improve forest health and wildfire resiliency as well as increase revenue to Common School Fund.

Forestlands primarily east of the Cascade Range have a history of passive management because of drier conditions and slower forest growth. In 2019, the Department hired a forester to evaluate these properties and recommend management strategies to improve sustainability and provide harvest revenue. The Department has started actively managing these properties to improve forest health and wildfire resiliency through fuels reductions and other treatments.

Actively managing DSL-managed forestlands not only contributes to forest health but also improves the financial performance of the forestland classification. Due to the passive management of these properties in the past, there are many areas that are over-stocked with trees experiencing drought stress and at risk of insect or disease infestation. The stand age of

many of these forestlands is ideal for thinning treatments that will also produce revenue to the Common School Fund.

8. Complete In-lieu Acquisitions

Complete acquisition of remaining in-lieu acres that best benefit the Common School Fund.

By the time Oregon became a state, a large portion of the land granted to the state for use of schools had already been claimed by settlers. This meant some sections that should have been granted to the State were unavailable. To make up for unavailable school lands, the federal government allowed the state to select “in-lieu” lands in their place. In 2024, the Bureau of Land Management still owed the Department over 1,400 acres of in-lieu lands. The Department is actively working on evaluating and identifying land parcels which would best perform to maximize benefit to the Common School Fund. Within the ten-year timeframe of this asset management plan, the Department will finalize the list of potential acquisitions and complete the ownership transfers within to make school lands whole as was originally intended at statehood.

Increasing Land Use on School Lands

9. Renewable Energy

Expand renewable energy leases and land classifications through data analyses, project outreach, improved administrative rules, and program tools to increase revenue to the Common School Fund.

Through the Department’s Strategic Plan, the Real Property Program is completing an analysis to identify lands suitable for renewable energy development. Using the results, the Department will be able to proactively advertise or auction lands available for renewable energy lease and development. Renewable energy leases such as solar or geothermal have significantly higher lease rates than other uses such as grazing. Increasing the number of acres under lease for renewable energy over the next ten years will increase annual revenue to the Common School Fund long term.

The development of renewable energy leases on school lands will inevitably result in removing lands from other uses, primarily on rangelands. To compensate for losses of rangeland, the Real Property Program will develop a policy to allocate a portion of the annual renewable energy revenues to provide rangeland improvements aimed at further enhancing Common School Fund revenues on other grazing lands within the same area, potentially increasing forage production to compensate for lost forage, and to improving habitat and ecosystem functions where feasible.

10. Environmental Markets Analysis

Explore new markets to monetize intrinsic or environmental benefits on special stewardship or other lands.

The Department will evaluate opportunities for revenue generation through environmental markets on school lands that are subject to federal or state law restrictions and usually do not produce revenue for the Common School Fund. Conservation easements, unique leasing options, or land exchanges or sales to land protection entities may assure the lasting conservation of these lands while providing revenue to meet the Department's Common School Fund obligations. Once evaluated, recommendations will be provided to the Land Board, outlining revenue opportunities.

Evaluating new potential uses for all state lands is important to ensure the Department is maximizing both economic and environmental values. An examination of the land use potential can assess opportunities in carbon markets, renewable energy options, mineral resources, conservation easements, consolidation options, habitat protection leases, land exchange options, new leasing methods and other opportunities.

11. Industrial/Commercial/Residential Property Planning

Expand land use planning initiatives on ICR properties that can be sold for a high return to the Common School Fund. This will include investigating new tools to work with developers on ICR parcels to increase land value and therefore revenue.

The Department has ICR properties that have been included in the urban growth boundaries for the cities of Bend, Redmond, and Prineville. These properties were acquired from the Bureau of Land Management as in-lieu lands. Over the course of the last two Asset Management Plans, the Department has been partnering with these cities on land use planning with the goal of increasing the property values and contributing to the availability of developable lands for purposes such as housing, commercial, and industrial uses.

The Department was able to sell 320 acres of school lands within the City of Bend for \$22 million, 159 acres at Millian Road in Prineville for \$4.5 million, and is looking to sell other Central Oregon ICR properties which are also highly valued. While land use planning processes can take many years to complete, the return on investment is high. Similar land use purchase and planning strategies are used by other western states with obligations to school lands.

The Department is in the process of completing in-lieu acquisitions from the Bureau of Land Management and is targeting ICR properties for acquisition where possible. Given the past and ongoing potential for increasing Common School Fund revenue with this strategy, the Department could use the Land Revolving Fund to acquire and conduct land use planning on additional ICR properties.

Developing Partnerships That Include Securing External Funding

12. Partnerships and Project Funding

Proactively seek partnerships that assist in funding projects that benefit school lands, their habitats, and nearby communities.

Large-scale projects affect multiple stakeholders. For example, when the Department reduces invasive grasses on school lands or reduces the density of forest stands through thinning, the neighboring landowners also experience reduced risk of wildfire. Partners on these landscape-level projects are diverse, from landowners and cooperative weed management area groups to government agencies and rangeland fire protection organizations. The assistance, information, and funding from these partnerships is a key part of improving state land health and performance.

The Department routinely partners with nonprofit organizations and landowners who are able to apply for grants that fund projects on state lands. In recent years, rangelands successfully received external funds for various projects including water improvements, fencing, juniper removal, and invasive annual grass treatments. Working with local partners to complete landscape-level projects with external funding simultaneously reduces Department expenditures, contributes to the local economy, and increases revenue to the Common School Fund. When contracting for project work, the Department prioritizes contractors with local experience.

Measuring Success

This plan identifies management activities as well as action areas that will collectively increase revenue to the Common School Fund and contribute to a thriving Oregon in multiple ways. The Department will use the performance measures and outcomes below to track and report on progress.

Performance Measures

Performance measures help the Department evaluate and report on how ongoing management of school lands and action areas are benefiting Oregon through increased revenue to the Common School Fund.

Total Annual Revenue (AR)

What it measures: Total Annual Revenue (AR), expressed in dollars, measures gross income from Real Property Program activities.

How it's calculated: AR is calculated as the sums of all revenues for each land classification, following the end of each fiscal year (July 1 – June 30).

How it's reported: AR is reported in the Real Property Program's Annual Report, broken down by land classification, along with AR from the previous two fiscal years.

Net Operating Income (NOI)

What it measures: Net Operating Income (NOI), expressed in dollars, measures net revenue from Real Property Program activities.

How it's calculated: NOI is calculated as the AR, minus operating expenditures for each land classification, following the end of each fiscal year (July 1 – June 30). Expenses include Department costs of staff time, operations, contracted services, legal fees, fire protection fees, and other state agency costs. Expenses for maintenance and capital improvements are excluded from operating expenses for purposes of calculating NOI, because those expenses preserve or increase the value of the land. Positive NOI contributes to the Common School Fund.

How it's reported: NOI is reported in the Real Property Program's Annual Report, broken down by land classification, along with NOI from the previous two fiscal years.

The Complexity of Evaluating Performance of Public Lands

Managing the financial performance of public lands is a constantly evolving process of balancing a wide range of economic, environmental, and social factors. Because of the diversity of school land assets, there is no perfect universal performance indicator.

For example, past asset management plans and annual reports included "return on asset value" and "land value appreciation" as performance measures, though it was noted they may not be the most appropriate measures to evaluate performance of school lands. Return on asset value was calculated by dividing the NOI by market value of all lands in a classification, and it was expressed as a percentage for each land class. Land value appreciation was the change in market value over time in a land classification. These two measures required regular appraisals of market value for all school lands, a significant expense to the Department. Market value is necessary information for land acquisition and sale transaction. However, the market value of school lands does not provide the best metric to evaluate annual performance of management of state lands.

For this asset management plan, the Department investigated the benefit of moving to a school land value assessment, similar to the State of Washington's Trust Land Performance Assessment⁶. Such an assessment in Oregon would appraise school lands through the lens that they are under the long-term ownership and control of the State of Oregon, acting as a trustee on behalf of defined beneficiaries (Common School Fund). A school land value assessment would better account for noneconomic, intrinsic benefits in appraisals such as ecosystem services. Significant

⁶ Source: <https://www.dnr.wa.gov/tlpa>

limitations upon sale of the school lands, as well as other Oregon statutes, regulations, policies, and management practices are not considered in market value appraisals. The school land value assessment may be a more appropriate and comprehensive indicator of asset value, but developing and implementing that assessment process would be much more costly than assessing market value. Like market value, school land valuations also require periodic reassessments and updates. The Department will continue to monitor how other states managing school lands value these assets.

Outcomes

The above performance measures capture the quantifiable monetary benefits of school land management activities. However, outcomes include additional benefits to Oregon that are difficult to quantify but are important to capture.

Outside of revenue generation, state lands provide open space, fish and wildlife habitat, rare plant habitat, archaeological and cultural resources, natural beauty, recreation opportunities, and other ecosystem services. Local economies benefit from recreation, rangeland, agricultural, and timber activities. Land management partnerships also provide jobs for project work. Land use planning on ICR lands can also contribute to meeting community needs like housing.

In addition to reporting progress on the above performance measures, the Department will also seek to report how the land management framework and action areas contribute to the below outcomes:

Supporting climate resilience, environmental benefits. Increasing the overall health of state lands benefits wildlife populations, contributes to ecosystem services such as water filtration and storage, carbon sequestration in forestlands, drought resiliency and increases the productivity of the land which benefits lessees. Multiple action areas will help increase school land health by engaging with more partners on projects aimed at ecological restoration or climate resilience.

Meeting community needs such as housing and increased supply of industrial lands. ICR lands are uniquely positioned to help contribute lands to develop housing and add industrial land supply in certain areas. Over the past two decades, the Department has been proactively partnering with city and county governments on planning certain properties in Central Oregon for those very uses and is continuing to follow through on adding developable land to the Central Oregon market.

Reducing wildfire risk for school lands and communities. Through the many partnerships the DSL staff have established, the Department is able to execute projects at a landscape-level to treat wildfire fuels, where the benefits are not just to state lands but across ownership boundaries to federal public lands and neighboring private lands. Addressing invasive species on a landscape level or addressing overstocked forestlands reduces wildfire risk to the Department and its neighbors.

Supporting local and state economies. The grazing of school lands in eastern Oregon contributes to the local economy through supporting rural communities and working landscapes. Some rangelands have been leased for grazing for 100 years or more.

Increasing school lands acres. There are several opportunities for the Department to acquire more school lands: Remaining in-lieu lands will be acquired and the land revolving account may be used to replace, consolidate, or expand tracts. Additional acres could increase the amount of land available for the public to access.

Considering environmental justice. The Land Board and Department will ensure management actions consider environmental justice and environmental justice communities. Environmental justice communities include broadly includes communities of color, communities experiencing lower incomes, communities experiencing health inequities, tribal communities, rural communities, remote communities, coastal communities, communities with limited infrastructure and other communities traditionally underrepresented in public processes and adversely harmed by environmental and health hazards, including seniors, youth, and persons with disabilities.

Appendix A. – Lands Managed By Other DSL Programs

Outside of the Real Property Program, there are other activities that also contribute revenues to the Common School Fund. These revenues may include rental of space in the Department’s Salem office building, fees from removal and fill permits, fees for waterway easements, waterway leases and licenses, and revenues generated from a 6% tax on natural gas production on private lands and payments from the Federal Energy Regulatory Commission for licensed projects on federal lands. Some of these revenues are statutorily dedicated to the CSF, and some are constitutionally dedicated to the CSF. However, none of these are considered in the asset management plan action areas. The statutory lands under the Department’s jurisdiction are managed under the direction of the enabling legislation, often with a focus on resource protection. Nevertheless, the enabling legislation often directs that net revenue accrues to the Common School Fund, even though the land is also subject to specific statutorily dedicated management objectives.

The classifications listed below are not managed by the Real Property Program. Some of these classifications are new under this Plan, requiring changes to the Department databases, but will create efficiencies for DSL reporting on performance and other activities.

Elliott State Forest. For many years, the 83,300-acre Elliott State Forest in Coos and Douglas counties generated millions of dollars annually for the Common School Fund. In 2012, following a lawsuit regarding federal Endangered Species Act compliance, timber harvest was scaled back. By 2017, the forest was producing no revenue.

The State Land Board sought a new future for the Elliott as a publicly owned forest that has completed its obligation to funding schools, but will continue to contribute to conservation, recreation, education, Indigenous culture, local economies, and more as a research forest.

Since 2019, DSL has been working collaboratively with diverse stakeholders, partners, Tribal governments, and the public to transform the Elliott State Forest into a publicly owned State research forest. In December 2022, with the \$221 million appraised value of the forest provided to the Common School Fund through legislative actions, the Land Board voted to decouple the forest from its obligation to generate revenue for schools. The Elliott State Research Forest is anticipated to be officially established in 2024. Now statutory land, the former Elliott State Forest lands will be managed by a distinct program and have a distinct classification that will be managed separately from the forestland classification in the Real Property Program.

South Slough Reserve. The South Slough Reserve, also known as the South Slough National Estuarine Research Reserve, was the first reserve designated under the National Estuarine Sanctuary Program. Under this program, healthy estuarine ecosystems found in different regions of the country are designated and managed as sites for long-term research and are used as a base for estuarine education and interpretation programs. Many thousands of educators and students in Oregon benefit from the South Slough Reserve’s education programs and the land is open to the public for recreational activities such as hiking, kayaking, and hunting.

The South Slough Reserve is administered as a partnership between the National Oceanic and Atmospheric Administration (NOAA) and the Department. NOAA provides some funding, national guidance, and technical assistance. Administrative operations are overseen by the Department with direction from the South Slough Reserve’s Management Commission. Pursuant to statutory direction, the Department provides funding and holds title to the lands within the South Slough Reserve.

Prior to this plan, South Slough Reserve lands were classified as Special Stewardship. Going forward, “South Slough” will be its own classification for lands under this program.

Oregon-owned Waterways. Approximately 1.26 million acres of submerged and submersible lands, also known as the bed and the banks, are classified as Oregon-owned waterways. These include the submerged and submersible land under the Territorial Sea⁷, tidally influenced land of coastal streams and rivers, and the beds and banks of rivers and lakes determined to be title navigable. Oregon-owned waterways are statutory lands and are managed pursuant to statutory direction, and to protect the Public Trust Doctrine rights of fishing, navigation, commerce, and recreation.

State ownership of waterways is established by the Oregon Admission Act and the Equal Footing Doctrine. State ownership of waterways may be established by judicial determinations, Land

⁷ The Territorial Sea includes the waters and seabed extending three miles seaward from the Pacific coastline, as established by the Oregon Admission Act

Board declarations, or legislative acts.⁸ Ownership of tidally influenced waterways includes the bed and banks of waterways subject to the ebb and flow of the tides. Generally, the State’s ownership extends up to Ordinary High Water⁹ line, except in some cases where tidelands have been sold. If a tideland has been sold, then the State’s ownership extends up to the Ordinary Low Water line.

Waterway Related Uplands. Where there are Oregon-owned waterways, the Department is responsible for managing the state-owned lands below the Line of Ordinary High Water and any land that develops out of a waterway, such as islands or filled lands created upon Oregon-owned submerged and submersible lands. The 2012 Asset Management Plan classified these lands as Special Stewardship lands. To increase accuracy in the Department’s reporting, the classification of Waterway Related Uplands has been added. These Oregon-owned, Waterway Related Uplands may be islands within a waterway, abandoned river channels, or Oregon-owned waterways that were filled.

Appendix B. – Other Plans

Multiple plans guide the Department’s work and the work of the Real Property Program, including the big-picture strategic plan that orients work across all programs to defined goals with measurable objectives, as well as plans that focus on specific topics like sustainability or specific assets like South Slough Reserve. Plans that intersect the program’s management of school land assets are summarized below.

DSL Strategic Plan

DSL’s 2022-2027 Strategic Plan sets the mission, vision, and values of the Department and details four goals: Exceptional Service, Thriving Oregon, Supporting Schools, and Great Workplace. Though the Supporting Schools goal provides the foundation of this Asset Management Plan – and updating this plan is a key project to help advance that goal – the program contributes to multiple strategic goals.

Real Property Program efforts within each strategic goal area include:

- **Exceptional Service.** Improving customer service, both internally and externally when issuing Department authorizations, conducting public outreach, and making information available on DSL lands.
- **Thriving Oregon.** Improving upon the State’s resources through increasing the number of projects that contribute to habitat improvement, wildfire resilience, improvements in ecosystem services, providing sustainable renewable energy projects, protecting lands, promoting learning, and providing accessible resources for Oregonians.

⁸ Oregon Revised Statute 274.402, Oregon Revised Statute 274.430

⁹ “Line of Ordinary High Water” as defined in Oregon Revised Statute 274.005(3), means the line on the bank or shore to which the high water ordinarily rises annually in season.

- **Supporting Schools.** Increasing revenue to the Common School Fund, through seeking higher income earning leases (such as renewable energy), expanding opportunities for revenue, reducing costs for managing forestlands, and adding efficiency and effectiveness to operations.
- **Great Workplace.** Encouraging staff engagement and growth; retaining and sharing acquired knowledge.

Sustainability Plan

Woven into both the Strategic Plan and this Asset Management Plan are the Department’s commitments to environmental, fiscal, and social responsibility through the Sustainability Plan.

The Department’s 2024-2027 Sustainability Plan is aligned with our 2022-2027 Strategic Plan to capture programmatic impacts on sustainability through delivery of services. Using the Strategic Plan as an overarching framework, the sustainability plan includes specific sustainability outcomes and identifies projects that a) help achieve those targets and b) contribute to strategic plan outcomes and targets.

South Slough Reserve Management Plan

South Slough Reserve’s 2017-2022 management plan continues to support the strategic goals of the Reserve, NOAA, and DSL. Its geographic scope covers all lands within the formal boundaries of the Reserve and includes a prioritization plan for future acquisitions. It also includes a strategic plan with goals, objectives, and actions under three management priorities: climate change, habitat protection and restoration, and invasive species. The strategic plan was developed through collaborative engagement with partners, including professional colleagues and public and private stakeholders, and local Tribes. It responds to local needs through the integrated activities of the Research, Stewardship, Education, Public Involvement, and Coastal Training programs. The purpose of this plan is to guide program efforts and provide a framework for Reserve decisions. The Reserve is currently undertaking a periodic update of its management plan, which is expected to be completed in 2024.

Marbled Murrelet Management Plan

In July 2021, the Oregon Fish and Wildlife Commission voted to reclassify the marbled murrelet (*Brachyramphus marmoratus*) from threatened to endangered under the Oregon Endangered Species Act¹⁰. The reclassification decision requires state agencies that own, manage, or lease property, and whose lands could play a role in murrelet conservation, to follow the survival guidelines until they develop an endangered species management plan specific to their lands. In November 2021, the Commission identified DSL as an agency that owns land with murrelet habitat in Oregon and has a role in the conservation of this species.

¹⁰ Oregon Revised Statutes 496.171 to 496.192 and 498.026

Based on this requirement, DSL wrote a consolidated Endangered Species Management Plan (ESMP) for the marbled murrelet for the four classes of terrestrial lands within the murrelet habitat range: 1) Elliott State Forest (83,300 acres), 2) Certified/ODF-managed forestlands (17,846 acres), 3) South Slough Reserve (6,972 acres), and 4) DSL-managed forestlands (42 acres).

Two separate Habitat Conservation Plans (HCP) are currently in development for the Elliott State Forest and certified forestlands (under Oregon Department of Forestry’s Western Oregon HCP). Once these plans are complete and Incidental Take Permits have been issued by the U.S. Fish and Wildlife Service and National Marine Fisheries Service, these HCPs will supersede the marbled murrelet management plan, meaning the ESMP will no longer apply to these lands. The other two land classifications (South Slough and noncertified forestlands) will continue to follow the ESMP for marbled murrelets.

Appendix C. – Plan Development Process

In 2022, the 2012 Real Estate Asset Management Plan was ten years old. The Department completed an Achievements Report on the 2012 plan to review accomplishments and lessons. The report concluded a new asset management plan was needed.

2022

- November: Department lessees were sent a letter regarding the plans to update the Asset Management Plan, stakeholder outreach and interviews were completed.
- December: State Land Board was informed of plans to update the Asset Management Plan.

2023

- January to May: Staff conducted research of other state plans with similar responsibilities to school lands, comparative analysis of management goals between the Department and other states was completed.
- May: Drafting of Asset Management Plan begins.
- September: First draft completed; management reviews completed.
- November to December: Second draft reviewed internally.

2024

- January to March: Agency review and DOJ review completed.
- March to April: Draft plan is sent out for stakeholder, Tribal, and public review.
- April: Comments reviewed and incorporated into final draft plan.
- April to May: Final Plan completed.
- June: Asset Management is presented to the State Land Board for adoption.

Appendix D. General Acquisition and Investment Guidelines

The 2012 Real Estate Asset Management Plan included in Appendix B for General Acquisition of ICR lands. The 2012 plan included guidelines for acquisition and investment in bare land, as well as developed properties including office, industrial, flex, retail, and mixed use. Due to the complexity of managing developed properties, a task for which the Real Property Program is not set up, the guidelines for acquiring developed properties are omitted in this plan. Instead, this Plan provides guidelines for the acquisition and investment in bare land, for future development into ICR lands.

LAND	
TYPE	Long-term ground leases
LOCATION	Portland Metro, Bend, Salem, Eugene, Medford/Ashland, Corvallis
QUALITY	Stabilized; Value Add
PREFERRED SIZE	Urban – 20,000 SF Suburban – 90,000 SF Rural – 225,000 SF
OCCUPANCY PREFERENCE	N/A
WILL NOT CONSIDER	Timber lands or uplands
RISK ANALYSIS	1) Cap rate (NOI – Net Operating Income) 2) Target 8% (ROI – Return on Investment), including appreciation (ref. point) 3) Market condition (unfavorable conditions, over holding period); economic growth 4) Inflation rate (market rate annual increases)
TENANT TYPE	Future development.
LEASE TERM	10-year+ lease term, developable within 24 months.
LOCATION	Portland Metro, Bend, Salem, Eugene, Medford/Ashland core area; path of future development.

PHYSICAL AMENITIES	<ol style="list-style-type: none"> 1. Entitlements in place 2. Water/sewer/gas/electric 3. Incorporated land 4. Regular topography 5. No or minimal easements 6. No environmental issues unless Brownfield 7. Zoning allowing future development 8. Minimal impact fees <p>Minimum Size:</p> <ol style="list-style-type: none"> 1. 15 acres
RISK	<ol style="list-style-type: none"> 1) Cap rate (NOI – Net Operating Income) 2) Target 8% (ROI – Return on Investment) 3) Vacancy rate (specific property, market & sub-market) 4) Market condition (unfavorable conditions, over holding period) 5) Inflation rate (market rate annual increases) 6) Sustainability; LEED locations 7) Multi-modal, transit-oriented locations preferred
APPEARANCE/AGE	<ul style="list-style-type: none"> - Flat land - Identify entitlements in place - No environmental issues on land lease

Appendix E. Land Evaluation Criteria

The following general land evaluation criteria are to be applied to school lands to identify the best candidates to sell or trade. The Department will develop internal forms that address these criteria at a detailed level. These general criteria are in addition to the land-class-specific criteria. Guidelines for ICR properties are included in Appendix D.

Universal Land Evaluation Criteria

- Feasibility Study: Anticipated use of property; analysis of anticipated demand within area market; and opportunity costs (does buying or holding the property exceed the opportunity cost of having its projected return on investment in the Common School Fund investment corpus?).
- Rate of Return: Analysis of options for property: hold, sell, invest to improve property, anticipated holding period, risk involved.
- Comparison of property value to other similar properties within the region.
- Shape and/or size of property; use potential, constraints
- Access and availability of utilities.

- Liability issues that could increase risk, e.g., environmental (T&E species, site contamination), unstable bedrock or soils (landslide/slope failure), adjacent residential use, other.
- Current income generating potential.
- Topography.
- Site maintenance and management costs.
- In-holding in larger parcel/proximity to other managed parcels and staffing.
- Changes in use or zoning that are not compatible with the goal of generating revenue for the Common School Fund.

Specific Land Class Criteria

Agricultural Land

- Past farming activities, economically feasibility
- Soil class as per Soil Survey Manual.
- Water availability and requirements to obtain water rights.
- configuration or topography considerations.
- Crop options.
- Lease income projections.

Forestland

- Soil Class/Site Index.
- Size of Parcel.
- Logging System/Haul Distance (including road/bridge building).
- Configuration of parcel/liability issues/environmental issues.

Rangeland

- Soil class.
- Size of parcel.
- Configuration of parcel/available water/fencing/quality of grazing.
- Animal Unit Month capacity
- Adjacent availability of Department lands nearby
- Potential for conversion to, or addition of, higher revenue producing use(s), including but not limited to agricultural conversion, alternative energy sources, communication sites, etc.