

**Committee on Natural Resources
1324 Longworth House Office Building
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I am Mary Abrams, Director of the Oregon Department of State Lands. I want to thank the subcommittee for the opportunity to testify today.

I'm here today representing my agency as well as the Western States Land Commissioners Association. Oregon is one of 23 member states in the organization. My purpose today is to provide a state-specific example of the background, need, and solution to a problem that affects all western states.

Oregon Department of State Lands

The Department of State Lands is the administrative agency of the State Land Board, Oregon's oldest public board. It was established at statehood by the 1859 Oregon Constitution to oversee "school lands" granted by the federal government. Throughout its history, the Governor has chaired the board, and the two other members have been the Secretary of State and the State Treasurer.

As settlers came west in the 1850s and beyond, Oregon needed to educate emigrant children and those born in our new state. Recognizing this, the U.S. government granted our land-rich, cash-poor state sections 16 and 36 of each township to generate money for schools.

Oregon's original land grant totaled about 3.4 million acres. Today, only a fifth of that acreage (about 770,000 acres) remains. These Trust Lands have a very specific purpose that differentiates them from other public lands managed for a variety of uses: they are solely dedicated to making money for Oregon's schoolchildren.

The Land Board manages its lands for long-term, multi-generational support of public education. Revenues from these lands are deposited in the Common School Fund, a trust fund for schools.

The estimated total market value of Oregon's school Trust Lands is between \$500 and \$600 million. Oregon's Trust Lands revenues are deposited into the Common School Fund. In fiscal year 2012, gross receipts totaled over \$13 million.

Funding Schools

The total market value of the fund is now about \$1.1 billion. All public school districts in Oregon receive two distributions a year from the fund's interest earnings. The average annual

distribution since 2008 has been about \$50 million. Common School Fund distributions are a small but important part of Oregon's school funding. These funds support the equivalent of 48 full-time teachers in a large district such as Portland, and 3 full-time teachers in a small coastal community. In other words, *the money matters*.

Oregon's goal has been to steadily increase our funding for schools through more strategic land management planning over time. This includes implementing land exchanges and sales to maximize our high-revenue producing lands while divesting of our non-producing lands.

Maximizing Revenue Generation

Revenue from Common School Fund lands over time has included both annual receipts from land management operations (timber harvest receipts and grazing leases for example) as well as funds from sales of some land assets. However, because of the patchwork nature of the original land grant to Oregon (16th & 36th sections), there have always been management challenges with our Trust Lands.

Not all the granted sections were high value, and the dispersed nature of the holdings caused inefficiencies as it is generally easier to manage contiguous blocks of land with similar management goals than it is to manage small, non-consolidated parcels.

Because of these constraints, land sales and exchanges have been an important part of managing our real estate portfolio to maximize school revenue. We have divested of or exchanged difficult-to-manage lands and reinvested in lands with higher revenue potential. Historically, consolidation occurred on forestlands; and more recently, land acquisitions have been commercial properties.

Why Does the Federal Government Matter?

First and foremost, federal lands are our biggest neighboring land owners. Most of Oregon's remaining Trust Lands are interspersed with federal lands (Bureau of Land Management and U.S. Forest Service) which increasingly have fundamentally different management goals than those of state Trust Lands. Federal land management has evolved over time from the early days of open range to designation of areas for special land uses (parks, scenic areas, wilderness areas, etc.) including an increased emphasis on multiple-use management. These shifts have often left state Trust Lands isolated within larger federal holdings with dramatically different management objectives.

The modern era of federal land management has also increased the complexity of federal land exchanges that historically were a tool to resolve some of the management challenges between state and federal lands. Therefore, Congressional and administrative decisions that affect federal land management *do* affect our ability to maximize revenue for schools, particularly when they reduce options for Trust Land portfolio management.

Such federal decisions can leave state lands stranded within federal designations, limiting effective management of these trust assets for revenue generation. It also decreases their value for selling or trading, and for almost any type of development or other use.

In Oregon we have just less than 10,000 acres that are surrounded by federal lands with different management objectives. These lands are valued at roughly \$8 million, and their isolation within and dependence on federal land decisions greatly reduces their value.

State Trust Lands surrounded by federal designations can be encumbered by federal threatened and endangered species policies, access constraints, unintended consequences of federal fire protection policies, and potentially other federal actions that limit opportunities for generating revenues. Because of these encumbrances on our federal neighbors, state Trust Lands trapped within federal conservation designations are often virtually worthless to the state's school trust, depriving current and future generations of school children of valuable revenues to support public education.

The Solution

As we in the western states see it, the best remedy to this situation is to either facilitate an exchange of these landlocked state parcels for other federal lands, or sell our trust assets to the land-holding federal agency. However, normal federal land exchange and sale procedures are lengthy, complex administrative processes that require money and time – both substantial drains on states' ability to manage their Trust Lands. The scarcity of federal funds for land acquisition adds to the uncertainty and low likelihood of success in traditional land sales and exchanges with federal land management agencies.

So the western states would like to propose a different approach.

In Lieu Selection Process and a New Tool

At statehood, some of the 16th and 36th sections were already owned and therefore unavailable. For these sections, states were given "in lieu selection" credits, allowing states to select other available federal parcels in lieu of the original sections.

States have largely exhausted those credits since statehood but some are still outstanding. Oregon is still working with the BLM to finalize exchanges for our last 1600 acres of credits. The process to secure "in-lieu lands" has been lengthy, but it does work.

The Western States Land Commissioners Association has developed a proposal based on this in-lieu selection model to provide a solution to Trust Land parcels that are landlocked by federal lands. The proposal would allow state land managers to relinquish title to lands trapped within federal conservation areas in exchange for BLM lands not already protected as a federal conservation area, and that have not been otherwise appropriated.

The model provides a workable methodology for removing Trust Lands from federal conservation areas. This fulfills the states' funding mandate for public education and provides federal land managers with conservation areas that are largely clear of inholdings.

The Western States proposal is simple and elegant – and is based on an existing process. It's a win-win for both the federal government and states:

- It provides a mechanism for states to divest Trust Lands whose management and value are affected by their landlocked position within federal lands.
- It allows federal land managers to more effectively manage their lands.
- It provides a viable option for removing state Trust Lands from the political debates surrounding Congressional conservation area creations.
- It accomplishes all of this using fewer resources – both state and federal – to process exchanges than typical federal land exchanges or purchases.

The WSLCA proposal will help Oregon better meet its constitutional mandate for school Trust Lands by increasing management flexibility on almost 10,000 acres of such lands. Land assets worth \$8 million can be “unlocked” to generate greater revenues for Oregon’s school children into the future.

In summary, because of these advantages, I encourage you to consider any legislation that supports this proposal. It will help western states, such as Oregon, but also the rest of the nation through increased government efficiencies at the state and federal levels.

Thank you.