



Oregon

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Subcommittee on Public Lands and Environmental Regulation

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H.R. 4901, the Advancing Conservation and Education Act of 2014

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Thank you Chairman Bishop and Congressman DeFazio for introducing H.R. 4901 and for holding this hearing.

For the record, 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 am here representing my agency as well as the Western States Land Commissioners Association. Oregon is one of 23 member states in the organization. I would like to testify in support of HR 4901 from a state specific and more general Western States standpoint.

Oregon Department of State Lands

The Department of State Lands is the administrative arm of the State Land Board. The Board was established at statehood by the 1859 Oregon Constitution to oversee "school trust lands" (Trust Lands) granted by the federal government. The U.S. government granted our land-rich, cash-poor state sections 16 and 36 of each township to generate money for schools. The Oregon Constitution names the Governor, Secretary of State, and State Treasurer as the members of the State Land Board.

These Trust Lands have a very specific purpose that differentiates them from other public lands. These lands are solely dedicated to making money for Oregon's school children. Revenues from these lands are deposited in the Common School Fund, a trust fund for schools.

The estimated total market value of Oregon's Trust Lands is between \$500 and \$600 million. In 2012 alone revenues from these lands contributed \$13 million to the Common School Fund.

Funding Schools

Oregon's Common School Fund is managed by the State Treasurer and the Oregon Investment Council. Its market value is now about \$1.4 billion and its earnings are dedicated to K-12 public

education. 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 strategic land management planning. This includes implementing land exchanges and sales to maximize our high revenue producing lands while disposing of our non-producing lands.

Context of maximizing revenue generation

Revenue from Trust Lands over time has included both annual receipts from land management operations (timber harvest receipts and grazing leases) as well as funds from divesting of some land assets that are either underperforming or very difficult to manage. Divested Trust Lands were either sold at auction or exchanged for higher performing lands.

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. In addition, 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 management tool for our real estate portfolio to maximize school revenue. We have divested or exchanged difficult-to-manage lands and reinvested the funds in lands with a higher revenue potential.

Why Does the Federal Government Matter?

First and foremost because federal lands are our biggest neighboring land owners! Most of Oregon's remaining trust lands are interspersed with federal lands (BLM or USFS).

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.) to an increased emphasis on multiple use management. This often means we have different management goals than our federal neighbors.

The modern era of federal land management increases the complexity of federal land exchanges that historically were a tool to resolve 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 Lands portfolio management.

In Oregon we have just under 10,000 acres of Trust Lands that are surrounded by federal lands with different management objectives. These lands are valued at roughly \$8 million dollars. These Trust Lands can be encumbered by federal land T&E species policies, access

constraints, unintended consequences of federal fire protection policies, and potentially other federal actions that limit opportunities for generating revenues.

Therefore, Trust Lands trapped within federal conservation designations leave them virtually worthless to the state's school trust, depriving current and future generations of school children of valuable revenues that could help 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 federal lands or sell them 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 the 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 the federal land management agencies. So the western states support House Bill 4901 which proposes a different approach,

In Lieu Selection Process and a New Tool

A further bit of background in land grants is needed to understand the benefit of HR 4901. At statehood some of the 16th and 36th sections granted to Oregon were already owned and therefore in actuality unavailable. For these sections, states were given "in lieu selection" credits that could be used in exchange for federal lands.

States have largely extinguished their in lieu selection credits but some are still outstanding. Oregon is still working with the BLM to finalize exchanges for our last 1600 acres of credits.

HR 4901 concept is based on the in-lieu selection model as a solution to trust land parcels landlocked by federal lands. HR 4901 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 not otherwise appropriated.

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

The HR 4901 process is simple and elegant – using the basis of an existing process. It is really a win-win:

- It provides a mechanism for states to divest state trust lands whose management and value is affected by their landlocked position in 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 conservation area creations within Congress.

- It accomplishes all of this using fewer assets (federal and state) to process the exchanges than typical exchanges or purchases.
- The proposal is a streamlined, but transparent process.

This 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 \$8-10 million can be 'unlocked' to generate greater revenues for Oregon's school children in the future.

Because of these advantages, I encourage you to support HR 4901. It will help western states, like Oregon, but also the rest of the nation through increased government efficiencies at the state and federal level.