



# Oregon

Tina Kotek, Governor

## Department of State Lands

775 Summer Street NE, Suite 100  
Salem, OR 97301-1279  
(503) 986-5200  
FAX (503) 378-4844  
[www.oregon.gov/dsl](http://www.oregon.gov/dsl)

## State Land Board

## State Land Board

**February 07, 2023  
10:00 am – 12:00 pm  
Meeting Agenda**

Tina Kotek  
Governor

Shemia Fagan  
Secretary of State

*Public Wi-Fi login: LandsDSL*

Tobias Read  
State Treasurer

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

### **CONSENT ITEMS**

1. Request for approval of the minutes of the December 13, 2022, State Land Board Meeting.

### **ACTION ITEMS**

2. Request for approval of a permanent easement for an access road, waterline and holding tanks for the city of Prineville in Crook County  
*Public testimony will be accepted on this item.*
3. Request for approval of permanent easement for a bridge crossing over the Clatskanie River in Columbia County  
*Public testimony will be accepted on this item.*
4. Request for approval of permanent easement for a bridge across Illingsworth Creek in Clatsop County  
*Public testimony will be accepted on this item.*
5. Request for approval for the sale of 123.54 acres of subsurface minerals and geothermal rights located in Yamhill County  
*Public testimony will be accepted on this item.*

*Continued on the next page*

6. Request for approval to initiate rulemaking to restrict public use of state lands in and around Crump Lake, in Lake County, Oregon  
*Public testimony will be accepted on this item.*

### **INFORMATIONAL ITEMS**

7. Annual Common School Fund Audit Report  
*No public testimony will be taken on this item.*
8. Oregon Department of Forestry Annual Report on Common School Forest Lands  
*No public testimony will be taken on this item.*
9. Real Property Program Annual Report  
*No public testimony will be taken on this item.*
10. Strategic Plan Year One Results Report  
*No public testimony will be taken on this item.*
11. Other  
*No public testimony will be taken on this item.*

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### **WATCH THE MEETING ONLINE**

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

### **ATTEND IN-PERSON**

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

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

## **PROVIDE PUBLIC TESTIMONY**

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

- **Providing Written Testimony:** Testimony received by 10 a.m. on the Monday before the meeting will be provided to the Land Board in advance and posted on the meeting website. Submit your input in writing to: [landboard.testimony@dsl.oregon.gov](mailto:landboard.testimony@dsl.oregon.gov). Testimony received after this deadline may not be provided to the Land Board prior to a vote. Please indicate the agenda item your testimony relates to.
- **Providing Spoken Testimony by Video/Phone or In Person:** Advanced sign-up is required for the public to provide spoken testimony (in-person or by Zoom). The sign-up deadline is 10 a.m. the day before the meeting.

**Please note:** When the number of people interested in speaking exceeds the time allotted for an agenda item, speakers are randomly selected for testimony slots to ensure all have an equal opportunity to testify. Speakers have the same chance of being randomly selected whether they plan to testify in person or by Zoom. The testimony order will be posted to the State Land Board Meetings webpage the day before the meeting, and everyone who signed up to testify will be notified of the testimony order via email. Be aware there may not be time for everyone who signs up to speak.

### **Additional Testimony Information**

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



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### State Land Board

The State Land Board (Land Board or Board) met in regular session on December 13, 2022, in the Land Board Room at the Department of State Lands (DSL), 775 Summer Street NE, Salem, Oregon. The meeting audio and video was livestreamed on the DSL YouTube channel.

Tina Kotek  
Governor

Shemia Fagan  
Secretary of State

Tobias Read  
State Treasurer

#### Present were:

Kate Brown  
Shemia Fagan  
Tobias Read

Governor  
Secretary of State  
State Treasurer

#### Land Board Assistants

Jason Miner  
Molly Woon  
Ryan Mann

Governor's Office  
Secretary of State's Office  
State Treasurer's Office

#### Department Staff

Vicki Walker	Bill Ryan	Cait McCusker	Ted Bright
Arin Smith	Jean Straight	Ali Ryan Hansen	Linda Safina-Massey

#### Department of Justice

Matt DeVore

Prior to the start of the regular meeting, the Board presented a Land Board Award:

- Partnership Award – **Elliott State Research Forest Advisory Committee**

Governor Brown made opening remarks. She then introduced Oregon's Poet Laureate, Anis Mojgani, who performed a poem.

Treasurer Read gave remarks and thanked the committee for their work. He then reintroduced Anis Mojgani who performed another poem.

Secretary Fagan gave additional remarks and presented the award to the committee.

Governor Brown made a closing statement and the Board moved to the regular agenda.

Governor Brown called the meeting to order at 9:26 a.m. The topics discussed and the results of those discussions are listed below. To view the Land Board (Board) meeting in its entirety, please visit our YouTube page: [December 13, 2022 Land Board Meeting](#)



## **Consent Items**

### **1. Minutes**

Treasurer Read made a motion to approve the minutes for the October 11, 2022, Land Board meeting.

Secretary Fagan seconded the motion.

The item was approved at 9:28 a.m.

## **Informational Items**

### **2. Elliott Forest Management Plan**

Director Walker gave an overview of the Elliott State Research Forest items that would be discussed at the meeting.

Governor Brown then opened the meeting for public testimony. Testimony was taken from the five members of the public who signed up to testify.

Director Walker and Tom Deluca, Dean of the OSU College of Forestry, responded to some of the questions and concerns brought up in the public testimony.

Questions were taken from the Board.

Shannon Murray, OSU Program Director for the Elliott State Research Forest, then joined Dean Deluca at the table to present the Elliott Forest Management Plan.

Questions were taken from the Board.

Members of the Elliott State Research Forest (ESRF) Advisory Committee, Keith Tymchuk, Ken McCall, Melissa Cribbins, Bob Sallinger, Mark Stern and Mary Paulson were invited to the table, and each made comments regarding their experience on the committee.

Governor Brown thanked the members for their service on the Board.

## **Action Items**

### **3. Decoupling the Elliott State Forest from the Common School Fund.**

11:20 a.m.

The Department recommended the State Land Board approve decoupling the Elliott State Forest including the East Hakki Ridge parcel, as described in Appendix B and C to this agenda item, from the Common School Fund.

Governor Brown made a motion to approve the action item.

Treasurer Read seconded the motion.

The item was approved at 11:25 a.m.

**4. Designating the lands that will comprise the new Elliott State Research Forest and become the management responsibility of the newly created state agency established by Senate Bill 1546.**

The Department recommended the State Land Board find and resolve that the Elliott State Research Forest shall be comprised of the lands described in Appendix A and B and be subject to the governance and management responsibilities set forth in Senate Bill 1546 as adopted by the Oregon Legislature in 2022.

Treasurer Read made a motion to approve the action item.

Secretary Fagan seconded the motion.

The item was approved at 11:28 a.m.

**5. Appointments to Elliott State Research Forest Authority Board of Directors.**

The Department recommended the Land Board appoint the following nine individuals as members of the Elliott State Research Forest Authority Board of Directors for the terms indicated, and that subject to appropriate background checks these appointments be effective as of January 1, 2024. Until this effective date, these individuals should be recognized as informal advisors to the Department and the Land Board on issues relating to the ESRF.

1.	Paul Beck	4 years
2.	Bob Sallinger	4 years
3.	Keith Tymchuk	4 years
4.	Melissa Cribbins	3 years
6.	Mike Kennedy	3 years
5.	Colin Beck	2 years
7.	Teresa Bird	2 years
8.	Dr. Jennifer Allen	1 year
9.	Dr. Jack Williams	1 year

Questions and comments were taken from the Board.

Secretary Fagan made a motion to approve the action item.

Treasurer Read seconded the motion.

The item was approved at 11:37 a.m.

Governor Brown again thanked the teams at the Department of State Lands, OSU School of Forestry, Oregon Consensus, the ESRF Advisory Committee members, her fellow Board members as well as the members of the new ESRF Authority Board for their continued work on the Elliott.

**6. Director Appointment (Presented by Jason Miner, Land Board Assistant to Gov. Brown)**

It is the unanimous recommendation of the Land Board Assistants that the State Land Board appoint Vicki L. Walker to a four-year term as the Director of the Oregon Department of State Lands, retroactively effective to March 1, 2022.

Treasurer Read made a motion to approve the consent item.

Secretary Fagan seconded the motion.  
The item was approved at 11:47 a.m.

**Informational Item**

**7. Real Estate Asset Management Plan (REAMP) Update**

Director Walker gave an overview of the REAMP update.

Questions and comments were taken from Treasurer Read.

**8. Other**

11:44 a.m.

Governor Brown's Farewell:

Secretary Fagan made her remarks thanking Governor Brown for her mentorship and guidance over the years. She then announced that the 2023 Oregon Blue Book would be dedicated to the 30-year legacy of Oregon Governor Kate Brown.

Treasurer Read then presented Governor Brown with a framed copy of the Elliott certificate of participation.

Director Walker then thanked Governor Brown for her service and presented her with an original piece of artwork depicting the South Slough National Estuarine Research Reserve, as well as a framed photo of the Land Board members and poem written by Oregon's Poet Laureate, Anis Mojgani.

A slide show of photos of Governor Brown over the years was then shown.

The meeting was adjourned at 12:07 p.m.

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Tobias Read, State Treasurer

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Vicki L. Walker, Director



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## State Land Board

## State Land Board

### Regular Meeting February 07, 2023 Agenda Item 2

Tina Kotek

Governor

Shemia Fagan

Secretary of State

Tobias Read

State Treasurer

### **SUBJECT**

Request for approval of a 7.1 acre permanent easement for an access road, waterline and water holding tanks for the city of Prineville at Township 15 South, Range 15 East Section 10 Tax Lot 1100 in Crook County, LAS File #63947.

### **ISSUE**

Whether the State Land Board should approve a request from the city of Prineville for a permanent easement as appraised at market value, to maintain the access road, waterline and water holding tanks on Common School Fund Lands (school lands).

### **AUTHORITY**

Article VIII, Section 5 of the Oregon Constitution; requiring the Land Board to “manage lands under its jurisdiction 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.”

ORS 273.171; relating to the duties and authority of the Director.

OAR 141-122-0010 to 141-122-0120; establishing procedures for granting easements and rights-of-way on trust and non-trust lands and requiring Land Board approval of easements granted in perpetuity.

### **BACKGROUND**

The city of Prineville needs to expand its water system to accommodate existing and future growth. The expansion of the water system requires additional storage tanks as well as new water lines to serve the growing community of Prineville. Currently, the city of Prineville has two water storage tanks nearby on lands not owned by DSL. For the water tanks and water lines to function properly, any new tanks installed must be built at the same elevation as the existing water tanks. The DSL managed school lands provide

the correct elevation to meet the needs for expanding the water system. To ensure the water system is in place to meet the city of Prineville's future growth needs, this request is for a permanent easement.

### **PUBLIC INVOLVEMENT**

The Department circulated the permanent easement application for public review and comment on July 19, 2022. The request has been circulated to the local affected Tribes, all surrounding property owners, local governments, state and federal wildlife and natural resource managers. DSL received one comment from public review and that was from the DSL Archaeologist to ensure a full cultural resource survey was completed for the easement area. The city of Prineville contracted with a third party to complete the survey for the entire 160-acre parcel owned by DSL to find the most suitable location to ensure no archaeological or cultural resources, if present, are impacted in any way.

### **STAFF FINDINGS**

Department staff finds that the proposed easement is necessary to provide water storage for the city of Prineville and is in line with the policies under OAR 141-122-0020. Issuance of a permanent easement for the requested use will contribute income to the Common School Fund and provide a public benefit to the city of Prineville and Crook County.

### **COMPENSATION**

To meet the requirements of OAR 141-122-0060(1) for compensatory payment, the Department has contracted with a third-party appraiser to value the requested property to determine the appropriate compensation payment for the requested easement area. Compensation for easements over school lands held in trust are equal to 100% of Real Market Value.

### **RECOMMENDATION**

The Department of State Lands recommends that the State Land Board approve a permanent easement for 7.1 acres of school lands located at Township 15 South, Range 15 East Section 10, Tax Lot 1100, in Crook County, to the city of Prineville under 63947-EA to construct, maintain and operate an access road, waterline and water holding tanks. The easement will be issued for market value per OAR 141-122-0060(1)(a)(B).

### **APPENDICES**

Appendix A – Site Map

Appendix B – Draft Easement 63947-EA



## APPENDIX A



A location map of Prineville, Oregon, showing the main map extent. The map features a red square indicating the area covered by the main map. The town of Prineville is labeled, and a north arrow is present. A legend at the bottom indicates that the red square represents the 'Main Map Extent'.

**STATE OF OREGON**  
**Department of State Lands**

**EASEMENT NO. 63947-EA**  
Access Road, Waterline and Water Storage Tanks

The STATE OF OREGON, by and through its Department of State Lands, GRANTOR, for and in consideration of \$ TBD from Appraisal , hereby grants to GRANTEE,

NAME of GRANTEE:  
City of Prineville

ADDRESS:  
387 NE 3<sup>rd</sup> St.  
Prineville, OR 97754

a multiple use easement and right to construct, maintain, operate and replace a waterline, access road and water storage tanks over, upon, and across the following particularly described property situated in Crook County, Oregon, more particularly described as follows:

A parcel of land lying in the North half of Section 10 Township 15 South, Range 15 East, W.M. Crook County, Oregon; the said parcel of land being all state-owned Trust Land with the said easement described as follows:

A 40 foot wide waterline and access road Beginning at a point at the Northwest corner of Section 10 at Township 15 South Range 15 East at 120° 55'38"W 44°17'28"N, thence south S0-48-50W 1200 feet to the beginning of the water holding tank storage area at 120° 55'38"W 44°17'16"N thence S0-03-19W 512 feet; thence 512 feet N89-50-49E; thence N0-21-09W 512 feet; thence 512 feet S89-50-14W to the point of terminus.

Containing 7.1 acres or 309,276 square feet, more or less, and as shown on the attached Exhibit "A".

*This description is used to establish the approximate location and extent of the area subject to this Department of State Lands authorized use and was not prepared by a licensed surveyor. All locations, bearings, and distances were developed in the Oregon Coordinate Reference System Standard; Oregon Statewide Lambert Conformal Conic, NAD 1983, International Feet, GRS 1980 Spheroid.*

TO HAVE AND TO HOLD the same unto GRANTEE in perpetuity, subject to the following conditions:

1. GRANTOR has the right to grant additional easements within the area authorized by this easement subject to the provisions of the administrative rules governing the granting of easements.
2. GRANTEE shall obtain prior written approval from GRANTOR prior to:
  - a) Changing the type of use authorized by this easement;



- b) Expanding the number of authorized developments or uses;
  - c) Changing the authorized area; and/or
  - d) Permitting other persons to utilize the easement for uses and developments requiring separate written authorization by GRANTOR pursuant to the administrative rules governing the granting of easements or other GRANTOR requirements.
- 3. The easement area shall remain open to the public for recreational and other non-proprietary uses unless restricted or closed to public entry by the State Land Board or GRANTOR.
- 4. GRANTOR and/or its authorized representative(s) shall have the right to enter into and upon the easement area at any time for the purposes of inspection or management.
- 5. Except as expressly authorized in writing by the Department, GRANTEE shall not:
  - a) Cut, destroy or remove, or permit to be cut, destroyed or removed any vegetation, or
  - b) Remove any sand and gravel, or other mineral resources for commercial use or sale, that occur in the easement area except as expressly authorized in writing by GRANTOR.

Routine right-of-way maintenance including vegetation trimming shall be allowed.

- 6. GRANTEE shall compensate GRANTOR for the fair market value of any commercially valuable timber or sand and gravel resources in the easement area that must be removed during or after placement of the authorized use, or which cannot be developed because of the authorized use.
- 7. GRANTEE shall conduct all operations within the easement area in a manner that conserves fish and wildlife habitat; protects water quality; and does not contribute to soil erosion, or the introduction or spread of noxious weeds or pests. Upon completion of construction, GRANTEE shall reclaim disturbed lands to a condition satisfactory to GRANTOR.
- 8. GRANTEE shall obtain a surety bond in the amount of \$N/A to ensure compliance with the terms and conditions of this easement.
- 9. The right to use this easement shall automatically terminate if it, or the development authorized by GRANTOR, is not used within five (5) consecutive years of the date this easement was granted, pursuant to the provisions of the administrative rules governing the granting of easements.
- 10. Unless otherwise approved in writing by GRANTOR, GRANTEE shall remove all cables, pipes, conduits, roads, and other developments placed by GRANTEE on the easement, and shall restore the surface of the easement area to a condition satisfactory to



GRANTOR within one (1) year following termination of use or expiration of this easement.

11. GRANTEE shall inspect the condition of the area authorized by this easement and the developments authorized by this easement on a frequency of: as necessary to ensure compliance with terms and conditions of this easement.
12. GRANTOR shall have the right to stop operation of the use authorized by this easement for noncompliance with the conditions of this easement, the provisions of the administrative rules governing the granting of easements, and/or any lawful requirement by a regulatory agency of this STATE.
13. If this easement authorizes the use of state-owned submerged and/or submersible land:
  - a) Construction in navigable waters shall conform to the standards and specifications set by the U.S. Army Corps of Engineers and the U.S. Coast Guard for the use authorized by this easement.
  - b) Any blasting which may be necessary, or in-water placement, maintenance, or repair of the authorized use shall be performed according to the laws of this STATE, including strict adherence to Oregon Department of Fish & Wildlife in-water work windows.
14. GRANTEE shall pay to GRANTOR the current market value, as determined by GRANTOR, for any unnecessary and non-approved damages to state-owned lands caused by construction or maintenance of the easement.
15. GRANTEE shall pay all assessments that may be legally charged on public lands which are levied against the property subject to this easement, whether or not such assessments have been levied against the easement area or STATE by the assessing agency.
16. GRANTEE shall use the authorized easement area only in a manner or for such purposes that assure fair and non-discriminatory treatment of all persons without respect to race, creed, color, religion, handicap, disability, age, gender or national origin.
17. GRANTEE shall ensure that all state, federal and local permits are consistent and compatible with this authorization prior to work commencing.
18. This easement is freely transferable. However, no transfer may increase the burden on the easement area or detract from the value of the underlying state-owned land.

*[remainder of page intentionally left blank]*

Vicki Walker – DSL Director

Date: \_\_\_\_\_

This foregoing instrument was acknowledged before me this \_\_\_\_ of \_\_\_\_\_, 2023 , by \_\_\_\_\_, the \_\_\_\_\_ of the Department of State Lands.

STATE TO THE CITY OF PRINEVILLE  
63947-EA  
Page 4 of 5

CERTIFICATE OF APPROVAL OF CONVEYANCE  
(ORS 93.808)

\_\_\_\_\_, Grantee, hereby approves and accepts, pursuant to ORS 93.808, the grant of an interest in real property from \_\_\_\_\_, Grantor, as described in the instrument to which this Certificate is attached.

A copy of this Certificate may be affixed to, and recorded with, the instrument described above.

DATED this \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_,  
Grantee

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

STATE OF OREGON           )  
  ) ss.  
County of \_\_\_\_\_)

On this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_, before me personally appeared \_\_\_\_\_, who being duly sworn stated that he/she is the \_\_\_\_\_ of \_\_\_\_\_, Grantee, and acknowledged the foregoing instrument to be the voluntary act of said Grantee and that he/she executed the foregoing instrument under authority granted by said Grantee.

\_\_\_\_\_  
NOTARY PUBLIC FOR OREGON  
My commission Expires: \_\_\_\_\_



# Oregon

Tina Kotek, Governor

## Department of State Lands

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## State Land Board

## State Land Board

### Regular Meeting

February 7, 2023

### Agenda Item 3

Tina Kotek

Governor

Shemia Fagan

Secretary of State

Tobias Read

State Treasurer

### **SUBJECT**

Request for approval of permanent easement for a bridge crossing over the Clatskanie River in Township 07 North, Range 04 West, Columbia County, LAS File #63960.

### **ISSUE**

Whether the State Land Board should approve a request from Oregon Department of Transportation for a permanent easement to maintain the bridge crossing the Clatskanie River.

### **AUTHORITY**

Article VIII, Section 5 of the Oregon Constitution; requiring the State Land Board to “manage lands under its jurisdiction 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.”

ORS 273.171; relating to the duties and authority of the Director.

OAR 141-123-0010 to 141-123-0120; establishing procedures for granting easements and rights-of-way on trust and non-trust lands and requiring Land Board approval of easements granted in perpetuity.

### **BACKGROUND**

The Oregon Department of Transportation is proposing to replace and reinforce the scour protection for the US30 Clatskanie River bridge crossing. Scouring is a type of erosion that happens when water flows around foundation objects and loosens soil, and the water then carries the soil away. The project is located within the city of Clatskanie on the Lower Columbia River Highway at approximately mile post 61. At the project location, the river contains essential fish habitat supporting Chinook and Coho salmon species, as well as chum, sturgeon, and steelhead. Over the decades, fluctuating water

levels from incoming and outgoing tides have caused scour around the four column footings, posing a risk to the supporting elements of the bridge. The bridge project requires a permanent easement for use on, over, under, or across the publicly owned waterway, as well as a removal-fill permit for in-water work, which has not yet been applied for.

### **PUBLIC INVOLVEMENT**

The easement application was received June 30, 2022. The Department circulated the application for public review and comment in September 2022. The comment notice was sent to interested parties, government agencies, and other affected stakeholders. The Oregon Department of Fish and Wildlife (ODFW) provided comments regarding fish passage and in-water work periods. The applicant noted this would be addressed with ongoing ODOT-ODFW liaison coordination, to determine if the project will trigger the ODFW fish passage rules.

### **STAFF FINDINGS**

The existing bridge was included in an old "blanket easement" for Columbia County. Repair and/or replacement of the bridge structure requires a permanent easement. DSL staff find this use is in line with the general provisions for easements under OAR 141-123-0020 and recommend requesting approval from the State Land Board to issue a permanent easement for this use.

### **COMPENSATION**

Pursuant to OAR 141-122-0060 (11)(c), a compensatory payment of \$100.00 was paid for the easement area.

### **RECOMMENDATION**

The Department of State Lands recommends the State Land Board approve the permanent easement to the Oregon Department of Transportation, easement number 63960-EA, to maintain and operate a bridge on, over, under or across the Clatskanie River.

### **APPENDICES**

Appendix A – Site Map

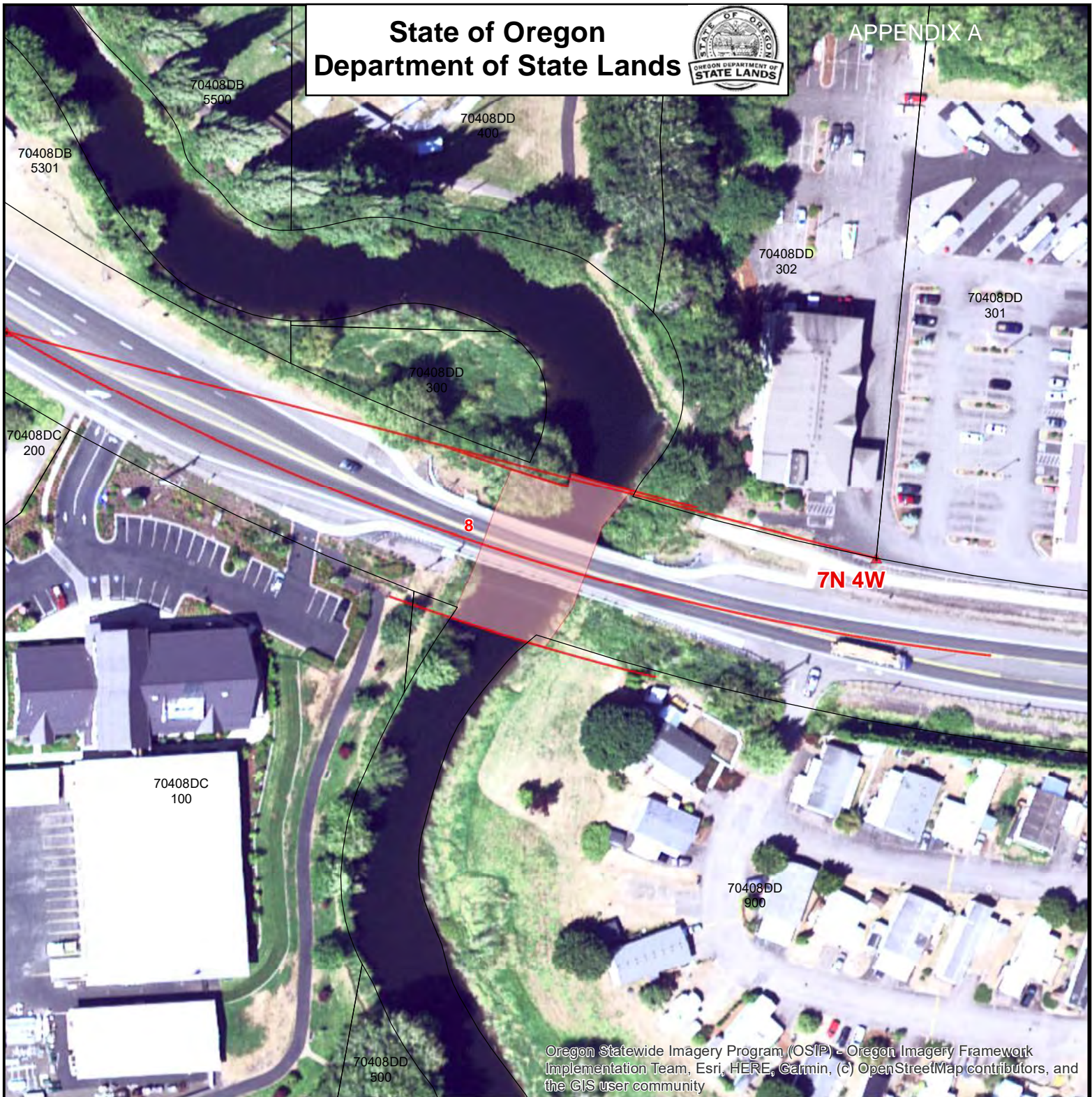
Appendix B – Draft Easement 63960-EA



State of Oregon  
Department of State Lands



APPENDIX A



Oregon Statewide Imagery Program (OSIP) - Oregon Imagery Framework Implementation Team, Esri, HERE, Garmin, (c) OpenStreetMap contributors, and the GIS user community

**APPENDIX A**

**63960-EA**  
**T07N, R04W Section 08**  
**9,565 Square Feet**  
**Columbia County**

- ▲ Points of Beginning
- Description lines
- Use Area

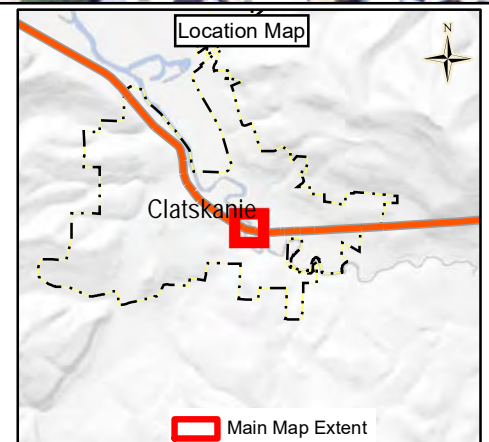
This map depicts the approximate location and extent of a Department of State Lands Proprietary authorization for use. This product is for informational purposes only and may not have been prepared for, or be suitable for legal, engineering, or surveying purposes. Users of this information should review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

0 50 100

Feet



Map Projection:  
Oregon Statewide Lambert  
Datum NAD83  
International Feet  
State of Oregon  
Department of State Lands  
775 Summer St NE, Suite 100  
Salem, OR 97301  
503-986-5200  
[www.oregon.gov/DSL](http://www.oregon.gov/DSL)  
Date: 9/23/2022



**STATE OF OREGON**  
**Department of State Lands**

**EASEMENT NO. 63960-EA**  
**S&S Bridge**

The STATE OF OREGON, by and through its Department of State Lands, GRANTOR, for and in consideration of \$100.00, hereby grants to GRANTEE,

NAME of GRANTEE: Oregon Department of Transportation	ADDRESS: 455 Airport Rd SE Bldg A Salem, OR 97301
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a single use easement and right to construct, maintain, operate, and replace a US30 Clatskanie River Bridge crossing over, upon, and across the following particularly described property situated in Columbia County, Oregon, more particularly described as follows:

A parcel of land lying in the Southeast Quarter of Section 8, Township 7 North, Range 4 West, W.M., Columbia County, Oregon; the said parcel of land being all-state owned submerged and submersible land lying within the Clatskanie River at or below the Mean High Tide line and included in a strip of land variable in width, lying on each side of the center line of the Lower Columbia River Highway, which center line is described as follows:

Beginning at Engineer's centerline station 1688+62.26, said station being North 75°24'29" West a distance of 670.42 feet from the Southwest corner of Parcel 1 of Partition Plat Number 2002-029, Columbia County Plat Records, thence on a 1909.86 foot radius curve left (the chord of which bears South 71°47'21" East a distance of 722.33 feet) an arc length of 777.69 feet to Engineer's center line station 1696+39.95.

The width in feet of said strip of land is as follows:

<u>Station</u>	to	<u>Station</u>	<u>Width on Northerly Side of Center Line</u>
1692+00.00		1693+00.00	60.00
1693+00.00		1693+00.00	60.00 in a straight line to 70.00
1693+00.00		1694+00.00	70.00
<u>Station</u>	to	<u>Station</u>	<u>Width on Northerly Side of Center Line</u>
1692+00.00		1694+00.00	60.00

The Basis of Bearings and Coordinates are based on the Oregon Coordinate Reference System (OCRS) Columbia River West Zone, NAD83(2011), Epoch 2010. International feet.

Containing 0.22 acres or 9,565 square feet, more or less, and as shown on the attached Exhibit "A".

*This description is used to establish the approximate location and extent of the area subject to this Department of State Lands authorized use and was not prepared by a licensed surveyor. All locations, bearings, and distances were developed in the Oregon Coordinate Reference System Standard; Oregon Statewide Lambert Conformal Conic, NAD 1983, International Feet, GRS 1980 Spheroid.*

TO HAVE AND TO HOLD the same unto GRANTEE in perpetuity, subject to the following conditions:

1. GRANTOR has the right to grant additional easements within the area authorized by this easement subject to the provisions of the administrative rules governing the granting of easements.
2. GRANTEE shall obtain prior written approval from GRANTOR prior to:
  - a) Changing the type of use authorized by this easement;
  - b) Expanding the number of authorized developments or uses;
  - c) Changing the authorized area; and/or
  - d) Permitting other persons to utilize the easement for uses and developments requiring separate written authorization by GRANTOR pursuant to the administrative rules governing the granting of easements or other GRANTOR requirements.
3. The easement area shall remain open to the public for recreational and other non-proprietary uses unless restricted or closed to public entry by the State Land Board or GRANTOR.
4. GRANTOR and/or its authorized representative(s) shall have the right to enter into and upon the easement area at any time for the purposes of inspection or management.
5. Except as expressly authorized in writing by the Department, GRANTEE shall not:
  - a) Cut, destroy, or remove, or permit to be cut, destroyed or removed any vegetation, or
  - b) Remove any sand and gravel, or other mineral resources for commercial use or sale, that occur in the easement area except as expressly authorized in writing by GRANTOR.

Routine right-of-way maintenance including vegetation trimming shall be allowed.

6. GRANTEE shall compensate GRANTOR for the fair market value of any commercially valuable timber or sand and gravel resources in the easement area that must be removed during or after placement of the authorized use, or which cannot be developed because of the authorized use.
7. GRANTEE shall conduct all operations within the easement area in a manner that conserves fish and wildlife habitat; protects water quality; and does not contribute to soil erosion, or the introduction or spread of noxious weeds or



pests. Upon completion of construction, GRANTEE shall reclaim disturbed lands to a condition satisfactory to GRANTOR.

8. GRANTEE shall obtain a surety bond in the amount of \$N/A to ensure compliance with the terms and conditions of this easement.
9. The right to use this easement shall automatically terminate if it, or the development authorized by GRANTOR, is not used within five (5) consecutive years of the date this easement was granted, pursuant to the provisions of the administrative rules governing the granting of easements.
10. Unless otherwise approved in writing by GRANTOR, GRANTEE shall remove all cables, pipes, conduits, roads, and other developments placed by GRANTEE on the easement, and shall restore the surface of the easement area to a condition satisfactory to GRANTOR within one (1) year following termination of use or expiration of this easement.
11. GRANTEE shall inspect the condition of the area authorized by this easement and the developments authorized by this easement on a frequency of: as needed.
12. GRANTOR shall have the right to stop operation of the use authorized by this easement for noncompliance with the conditions of this easement, the provisions of the administrative rules governing the granting of easements, and/or any lawful requirement by a regulatory agency of this STATE.
13. If this easement authorizes the use of state-owned submerged and/or submersible land:
  - a) Construction in navigable waters shall conform to the standards and specifications set by the U.S. Army Corps of Engineers and the U.S. Coast Guard for the use authorized by this easement.
  - b) Any blasting which may be necessary, or in-water placement, maintenance, or repair of the authorized use shall be performed according to the laws of this STATE, including strict adherence to Oregon Department of Fish & Wildlife in-water work windows.
14. GRANTEE shall pay to GRANTOR the current market value, as determined by GRANTOR, for any unnecessary and non-approved damages to state-owned lands caused by construction or maintenance of the easement.
15. GRANTEE shall pay all assessments that may be legally charged on public lands which are levied against the property subject to this easement, whether or not such assessments have been levied against the easement area or STATE by the assessing agency.
16. GRANTEE shall use the authorized easement area only in a manner or for such purposes that assure fair and non-discriminatory treatment of all persons without

respect to race, creed, color, religion, handicap, disability, age, gender, or national origin.

17. GRANTEE shall ensure that all state, federal and local permits are consistent and compatible with this authorization prior to work commencing.
18. This easement is freely transferable. However, no transfer may increase the burden on the easement area or detract from the value of the underlying state-owned land.

*[remainder of page intentionally left blank]*

This easement does not convey an estate in fee simple of the lands used for a right-of-way. This grant is for an easement only, and title remains in the State of Oregon.



STATE OF OREGON, acting by and through its Department of State Lands

\_\_\_\_\_  
DSL Authorized Signature/Printed Name

\_\_\_\_\_  
Date

STATE OF OREGON                    )  
  )ss  
County of Marion                    )

This foregoing instrument was acknowledged before me this \_\_\_\_ of \_\_\_\_\_,  
20\_\_, by \_\_\_\_\_, the \_\_\_\_\_  
of the Department of State Lands.

\_\_\_\_\_  
Notary Signature  
My commission Expires \_\_\_\_\_, 20\_\_.

CERTIFICATE OF APPROVAL OF CONVEYANCE  
(ORS 93.808)

Oregon Dept. of Transportation, Grantee, hereby approves and accepts, pursuant to ORS 93.808, the grant of an interest in real property from Oregon Dept. of State Lands, Grantor, as described in the instrument to which this Certificate is attached.

A copy of this Certificate may be affixed to, and recorded with, the instrument described above.

DATED this 12 day of December, 2022

Oregon Dept. of Transportation  
Grantee

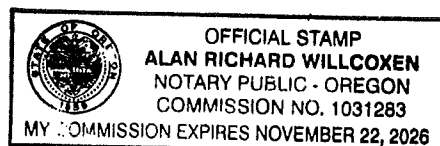
By: [Signature]

Name: David Thiessen

Title: Region 2 Right of Way Manager

STATE OF OREGON )  
County of Marion ) ss.

On this 12<sup>th</sup> day of December, 2022, before me personally appeared David Thiessen, who being duly sworn stated that he/she is the ODOT Region 2 R/W Mgr of ODOT, Grantee, and acknowledged the foregoing instrument to be the voluntary act of said Grantee and that he/she executed the foregoing instrument under authority granted by said Grantee.



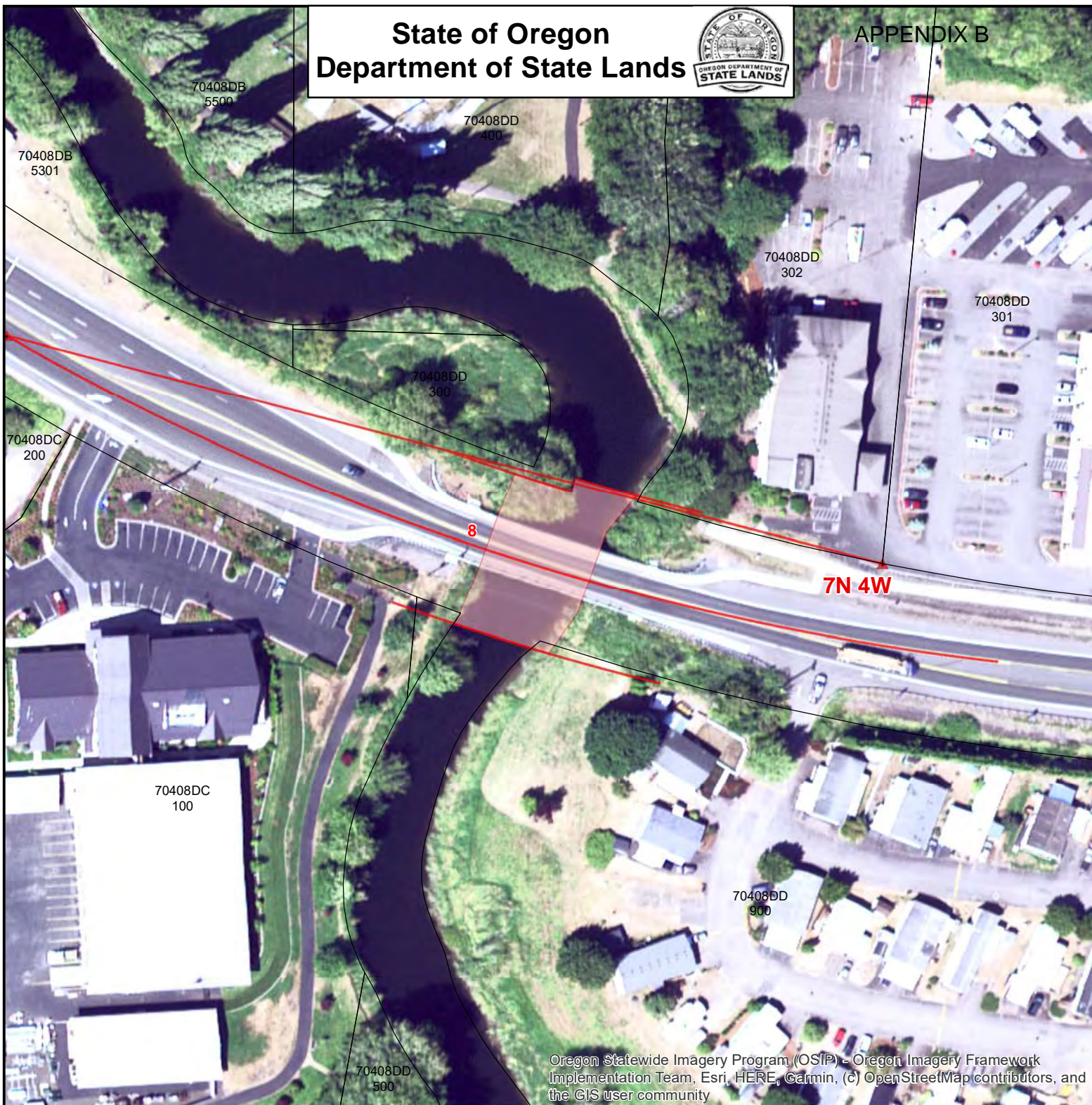
[Signature]  
Notary Signature  
My commission Expires 11/22, 2026



State of Oregon  
Department of State Lands



APPENDIX B



Oregon Statewide Imagery Program (OSIP) - Oregon Imagery Framework Implementation Team, Esri, HERE, Garmin, (c) OpenStreetMap contributors, and the GIS user community

**EXHIBIT A**

**63960-EA**  
**T07N, R04W Section 08**  
**9,565 Square Feet**  
**Columbia County**

- ▲ Points of Beginning
- Description lines
- Use Area

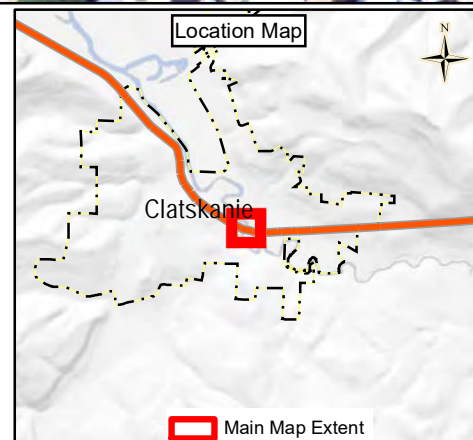
This map depicts the approximate location and extent of a Department of State Lands Proprietary authorization for use. This product is for informational purposes only and may not have been prepared for, or be suitable for legal, engineering, or surveying purposes. Users of this information should review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

0 50 100

Feet



Map Projection:  
Oregon Statewide Lambert  
Datum NAD83  
International Feet  
State of Oregon  
Department of State Lands  
775 Summer St NE, Suite 100  
Salem, OR 97301  
503-986-5200  
[www.oregon.gov/DSL](http://www.oregon.gov/DSL)  
Date: 9/23/2022





# Oregon

Tina Kotek, Governor

## Department of State Lands

775 Summer Street NE, Suite 100

Salem, OR 97301-1279

(503) 986-5200

FAX (503) 378-4844

[www.oregon.gov/dsl](http://www.oregon.gov/dsl)

## State Land Board

## State Land Board

### Regular Meeting

February 7, 2023

### Agenda Item 4

Tina Kotek

Governor

Shemia Fagan

Secretary of State

Tobias Read

State Treasurer

### **SUBJECT**

Request for approval of permanent easement for a bridge across Illingsworth Creek in Section 23, Township 01 North, Range 10 West, Clatsop County, LAS File #63873.

### **ISSUE**

Whether the State Land Board should approve a request from Tillamook County Public Works for a permanent easement to maintain a bridge crossing Illingsworth Creek.

### **AUTHORITY**

Article VIII, Section 5 of the Oregon Constitution; requiring the Land Board to “manage lands under its jurisdiction 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.”

ORS 273.171; relating to the duties and authority of the Director.

OAR 141-123-0010 to 141-123-0120; establishing procedures for granting easements on non-trust lands and requiring Land Board approval of easements granted in perpetuity.

### **BACKGROUND**

Tillamook County Public Works is proposing to replace an existing culvert across Illingsworth Creek in Tillamook County. This project is part of the Salmon SuperHwy and Tillamook County Public Works has partnered with Trout Unlimited for planning. The current culvert is reported to be undersized and a barrier to migratory fish and impeding natural stream function. The culvert will be replaced with a 46-foot bridge to restore full passage for native migratory fish and restore stream function.



The bridge project requires a permanent easement for use on, over, under, or across the publicly owned waterway, as well as a removal-fill permit for in-water work.

Trout Unlimited applied for a removal-fill permit on October 12, 2021, and received an eligible general authorization notification on November 23, 2021, under 63557-GA, for in-water work.

### **PUBLIC INVOLVEMENT**

The Department circulated this easement application for public review and comment on June 8, 2022. Two parties made comments, the Oregon Department of Fish and Wildlife (ODFW) and an adjacent riparian owner. The comment from ODFW was very supportive of this project while the comment from the upland landowner was not. Department staff found that comments from the upland landowner were not relevant to the use of a publicly owned waterway proposed in the application. Prior to this meeting, Department staff reached out to the upland landowner via email and telephone in an attempt to schedule a follow-up conversation regarding the comments, but the offer was not accepted.

### **STAFF FINDINGS**

DSL staff find the proposed replacement of an existing culvert with a bridge to be in line with general provisions for easements under OAR 141-123-0020 and recommends requesting approval from the State Land Board to issue a permanent easement for this use.

### **COMPENSATION**

County-owned bridges located outside of city limits are exempt from mandatory compensatory payments (OAR 141-123-0060(6)(a)); therefore, no compensatory payment is required.

### **RECOMMENDATION**

The Department of State Lands recommends the State Land Board approve the issuance of a permanent easement to Tillamook County Public Works, easement number 63873-EA, to maintain and operate a bridge on, over, under or across the Illingsworth Creek.

### **APPENDICES**

Appendix A – Site Map

Appendix B - Draft Easement 63873EA

# State of Oregon Department of State Lands



APPENDIX A



Oregon Statewide Imagery Program (OSIP) - Oregon Imagery Framework Implementation Team, Esri, HERE, Garmin, (c) OpenStreetMap contributors, Esri, HERE, Garmin, (c) OpenStreetMap contributors, and the GIS users community, Source: Esri, Maxar, Earthstar Geographics, and the GIS User Community

## APPENDIX A

**63873-EA Easement**  
**T01N, R10W Section 23**  
**1,632 Square Feet**  
**Tillamook County**

- ▲ Points of Beginning
- Description lines
- Use Area

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

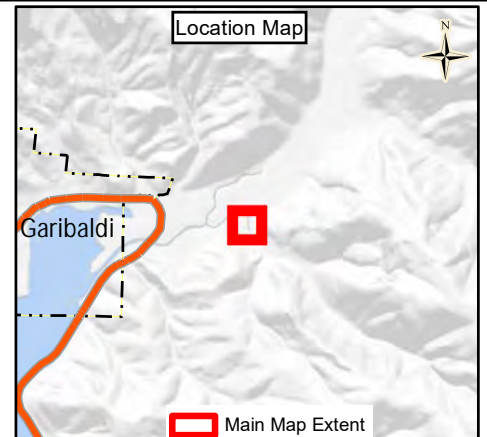
0 50 100

Feet



Map Projection:  
Oregon Statewide Lambert  
Datum NAD83  
International Feet

State of Oregon  
Department of State Lands  
775 Summer St NE, Suite 100  
Salem, OR 97301  
503-986-5200  
[www.oregon.gov/DSL](http://www.oregon.gov/DSL)  
Date: 9/14/2022



Main Map Extent



**STATE OF OREGON**  
**Department of State Lands**

**EASEMENT NO. 63873-EA**  
**S&S Bridge**

The STATE OF OREGON, by and through its Department of State Lands, GRANTOR, for and in consideration of \$ N/A , hereby grants to GRANTEE,

NAME of GRANTEE:

Tillamook County Public Works

ADDRESS:

201 Laurel Ave.

Tillamook, OR 97141

a single use easement and right to construct, maintain, operate and replace a bridge over, upon, and across the following particularly described property situated in Tillamook County, Oregon, more particularly described as follows:

Located in the Northwest Quarter of the Northwest Quarter of Section 23, Township 1 North, Range 10 West of the Willamette Meridian, in Tillamook County, Oregon, and more particularly described as follows:

Commencing at the Northwest 1/16th Corner of above described Section 23, said point being a 3" diameter Oregon State Board of Forestry Brass Cap in concrete marked, "NW 1/16 S23 1959 RS 401";

thence North 31 °39'59" West a distance of 523.22 feet to a 5/8" Iron Rod with a yellow plastic cap marked, "Terry Jones LS 2507", said point being on the Southerly right of way of Ekroth County Road;

thence along said Southerly right of way of Ekroth County Road bearing South 54°48'57" West a distance of 320.00 feet to a 5/8" Iron Rod with a yellow plastic cap marked, "Terry Jones LS 2507";

thence leaving said right of way line bearing North 16°02'57" East a distance of 23.82 feet to a point, said point being the True Point of Beginning of the easement herein described;

thence North 5°08'59" West a distance of 35.03 feet to a point;

thence South 54°51'01" West a distance of 53.82 feet to a point;

thence South 5°08'59" East a distance of 35.03 feet to a point;

thence North 54°51'01" East a distance of 53.82 feet to a point, said point being the True Point of Beginning.

See attached "Exhibit A" for datum and bearing information.

Containing 0.04 acres or 1,632 square feet, more or less, and as shown on the attached Exhibit "A".

TO HAVE AND TO HOLD the same unto GRANTEE in perpetuity, subject to the following conditions:

1. GRANTOR has the right to grant additional easements within the area authorized by this easement subject to the provisions of the administrative rules governing the granting of easements.
2. GRANTEE shall obtain prior written approval from GRANTOR prior to:
  - a) Changing the type of use authorized by this easement;
  - b) Expanding the number of authorized developments or uses;
  - c) Changing the authorized area; and/or
  - d) Permitting other persons to utilize the easement for uses and developments requiring separate written authorization by GRANTOR pursuant to the administrative rules governing the granting of easements or other GRANTOR requirements.
3. The easement area shall remain open to the public for recreational and other non-proprietary uses unless restricted or closed to public entry by the State Land Board or GRANTOR.
4. GRANTOR and/or its authorized representative(s) shall have the right to enter into and upon the easement area at any time for the purposes of inspection or management.
5. Except as expressly authorized in writing by the Department, GRANTEE shall not:
  - a) Cut, destroy or remove, or permit to be cut, destroyed or removed any vegetation, or
  - b) Remove any sand and gravel, or other mineral resources for commercial use or sale, that occur in the easement area except as expressly authorized in writing by GRANTOR.

Routine right-of-way maintenance including vegetation trimming shall be allowed.

6. GRANTEE shall compensate GRANTOR for the fair market value of any commercially valuable timber or sand and gravel resources in the easement area that must be removed during or after placement of the authorized use, or which cannot be developed because of the authorized use.
7. GRANTEE shall conduct all operations within the easement area in a manner that conserves fish and wildlife habitat; protects water quality; and does not contribute to soil

erosion, or the introduction or spread of noxious weeds or pests. Upon completion of construction, GRANTEE shall reclaim disturbed lands to a condition satisfactory to GRANTOR.

8. GRANTEE shall obtain a surety bond in the amount of \$N/A to ensure compliance with the terms and conditions of this easement.
9. The right to use this easement shall automatically terminate if it, or the development authorized by GRANTOR, is not used within five (5) consecutive years of the date this easement was granted, pursuant to the provisions of the administrative rules governing the granting of easements.
10. Unless otherwise approved in writing by GRANTOR, GRANTEE shall remove all cables, pipes, conduits, roads, and other developments placed by GRANTEE on the easement, and shall restore the surface of the easement area to a condition satisfactory to GRANTOR within one (1) year following termination of use or expiration of this easement.
11. GRANTEE shall inspect the condition of the area authorized by this easement and the developments authorized by this easement on a frequency of: as needed.
12. GRANTOR shall have the right to stop operation of the use authorized by this easement for noncompliance with the conditions of this easement, the provisions of the administrative rules governing the granting of easements, and/or any lawful requirement by a regulatory agency of this STATE.
13. If this easement authorizes the use of state-owned submerged and/or submersible land:
  - a) Construction in navigable waters shall conform to the standards and specifications set by the U.S. Army Corps of Engineers and the U.S. Coast Guard for the use authorized by this easement.
  - b) Any blasting which may be necessary, or in-water placement, maintenance, or repair of the authorized use shall be performed according to the laws of this STATE, including strict adherence to Oregon Department of Fish & Wildlife in-water work windows.
14. GRANTEE shall pay to GRANTOR the current market value, as determined by GRANTOR, for any unnecessary and non-approved damages to state-owned lands caused by construction or maintenance of the easement.
15. GRANTEE shall pay all assessments that may be legally charged on public lands which are levied against the property subject to this easement, whether or not such assessments have been levied against the easement area or STATE by the assessing agency.
16. GRANTEE shall use the authorized easement area only in a manner or for such purposes that assure fair and non-discriminatory treatment of all persons without respect to race, creed, color, religion, handicap, disability, age, gender or national origin.

17. GRANTEE shall ensure that all state, federal and local permits are consistent and compatible with this authorization prior to work commencing.
18. This easement is freely transferable. However, no transfer may increase the burden on the easement area or detract from the value of the underlying state-owned land.

*[remainder of page intentionally left blank]*

DRAFT

This easement does not convey an estate in fee simple of the lands used for a right-of-way. This grant is for an easement only, and title remains in the State of Oregon.



STATE OF OREGON, acting by and through its Department of State Lands

\_\_\_\_\_  
DSL Authorized Signature/Printed Name

\_\_\_\_\_  
Date

STATE OF OREGON                     )  
  )ss  
County of Marion                     )

This foregoing instrument was acknowledged before me this \_\_\_\_ of \_\_\_\_\_, 20\_\_, by \_\_\_\_\_, the \_\_\_\_\_ of the Department of State Lands.

\_\_\_\_\_  
Signature  
My commission Expires \_\_\_\_\_, 20\_\_.

**CERTIFICATE OF APPROVAL OF CONVEYANCE  
(ORS 93.808)**

Tillamook County Public Works, Grantee, hereby approves and accepts, pursuant to ORS 93.808, the grant of an interest in real property from State of Oregon Department of State Lands, Grantor, as described in the instrument to which this Certificate is attached.

A copy of this Certificate may be affixed to, and recorded with, the instrument described above.

DATED this 9th day of November, 2022.



[Signature]  
Grantee

By: Tillamook County/Public Works

Name: David Yamamoto

Title: Chair, Board of Commissioners

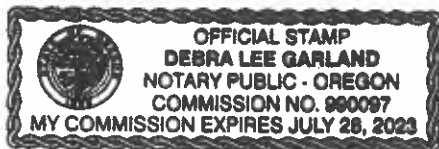
STATE OF OREGON                   )  
  ) ss.  
County of Tillamook                   )

On this 9th day of November, 2022, before me personally appeared David Yamamoto, who being duly sworn stated that he/she is the Chair, Board of Commissioners of Tillamook County/Public Works, Grantee, and acknowledged the foregoing instrument to be the voluntary act of said Grantee and that he/she executed the foregoing instrument under authority granted by said Grantee.

[Signature]

NOTARY PUBLIC FOR OREGON

My commission Expires: July 28, 2023





# State of Oregon Department of State Lands



APPENDIX B



Oregon Statewide Imagery Program (OSIP) - Oregon Imagery Framework Implementation Team, Esri, HERE, Garmin, (c) OpenStreetMap contributors, Esri, HERE, Garmin, (c) OpenStreetMap contributors, and the GIS users community, Source: Esri, Maxar, Earthstar Geographics, and the GIS User Community

## EXHIBIT A

**63873-EA Easement  
T01N, R10W Section 23  
1,632 Square Feet  
Tillamook County**

- ▲ Points of Beginning
- Description lines
- Use Area

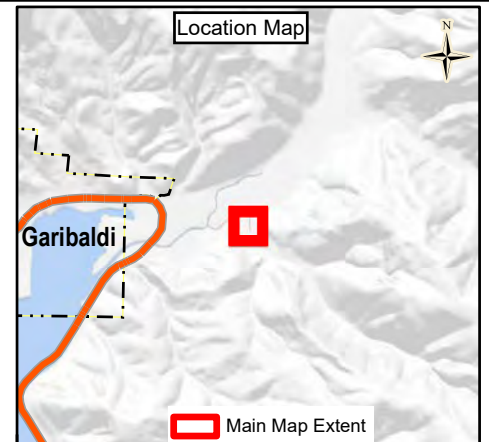
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0 50 100

Feet



Map Projection:  
Oregon Statewide Lambert  
Datum NAD83  
International Feet  
State of Oregon  
Department of State Lands  
775 Summer St NE, Suite 100  
Salem, OR 97301  
503-986-5200  
[www.oregon.gov/DSL](http://www.oregon.gov/DSL)  
Date: 6/6/2022







# Oregon

Tina Kotek, Governor

## Department of State Lands

775 Summer Street NE, Suite 100

Salem, OR 97301-1279

(503) 986-5200

FAX (503) 378-4844

[www.oregon.gov/dsl](http://www.oregon.gov/dsl)

## State Land Board

## State Land Board

**Regular Meeting  
February 07, 2023  
Agenda Item 5**

Tina Kotek

Governor

Shemia Fagan

Secretary of State

Tobias Read

State Treasurer

### **SUBJECT**

Request for approval to sell 123.54 acres of subsurface mineral and geothermal rights located in Yamhill County, Township 05 South, Range 06 West, Section 25 and 36, Tax Lot 900, LAS File #63471.

### **ISSUE**

Whether the State Land Board should authorize the sale of approximately 123.54 acres of subsurface mineral and geothermal rights on land located east of the City of Sheridan to the Yamhill Soil and Water Conservation District (SWCD).

### **AUTHORITY**

Oregon Constitution, Article VIII, Sections 2 and 5; pertaining to the Common School Fund and land management responsibilities of the State Land Board.

ORS 273.055; relating to the power to acquire and dispose of real property.

ORS 273.171; relating to the duties and authority of the Director.

ORS 273.775 – 273.790; relating to mineral and geothermal resource rights.

OAR 141-067-0320; relating to procedures for the sale, exchange, or release and transfer of mineral and geothermal resources.

Real Estate Asset Management Plan (REAMP), adopted by the State Land Board; February 2012.



## **BACKGROUND**

The Yamhill SWCD is purchasing a property west of Sheridan, Oregon, for conservation and to improve water quality in the area. Ownership records indicate that the mineral rights of the property were retained by the state Veterans Affairs Committee in 1943 when the surface rights were sold. The mineral rights were subsequently granted to the Oregon Department of State Lands (DSL) for the benefit of the Common School Fund. The Yamhill SWCD has applied for federal grants to purchase the property. A requirement of the potential grant funding is the ability to include the subsurface mineral estate in the transaction. The Bonneville Power administration will hold a conservation easement which will restrict any future development of the property and manage it exclusively for wildlife habitat.

In response to the application submitted by Yamhill SWCD, DSL requested the Department of Geology and Mineral Industries (DOGAMI) complete a mineral potential review to determine the potential of minerals of significant value being present. As required by DSL policy the applicant will pay the \$10,072.72 cost of the mineral resource review. Through the mineral potential review, DOGAMI determined there is a low potential of minerals of significant value being present.

## **STAFF FINDINGS**

ORS 273.780 (3) states, "Except as provided in ORS 273.787, the mineral and geothermal resource rights shall be retained by the state in the absence of a finding by the State Land Board upon adequate facts presented to it that their sale or exchange is for the purpose of obtaining the greatest benefit for the people of this state, consistent with the conservation of lands under its jurisdiction under sound techniques of land management." Department staff reviewed the DOGAMI Mineral Reviews Report and find the requested minerals are deemed to have low potential value to the state of Oregon, and the sale of the minerals to contribute to the purchase of the property for conservation and water quality improvement is in the best interest of the people of the state.

Department policy is to sell subsurface minerals and geothermal rights on land with low potential value for a land transaction fee of \$10 per acre. The sale price for this transaction is \$1,235.40.

## **PUBLIC INVOLVEMENT**

The Department circulated the application for public review and comment in January 2023. Notice for the public comment period was sent to interested parties, government agencies, and other affected stakeholders. This request was circulated to the local affected Tribes, all surrounding property owners, local governments, State and Federal wildlife and natural resource managers. The Department received a few inquiries of concern which were quickly alleviated once staff clarified that the property would have a conservation easement on it.

**RECOMMENDATION**

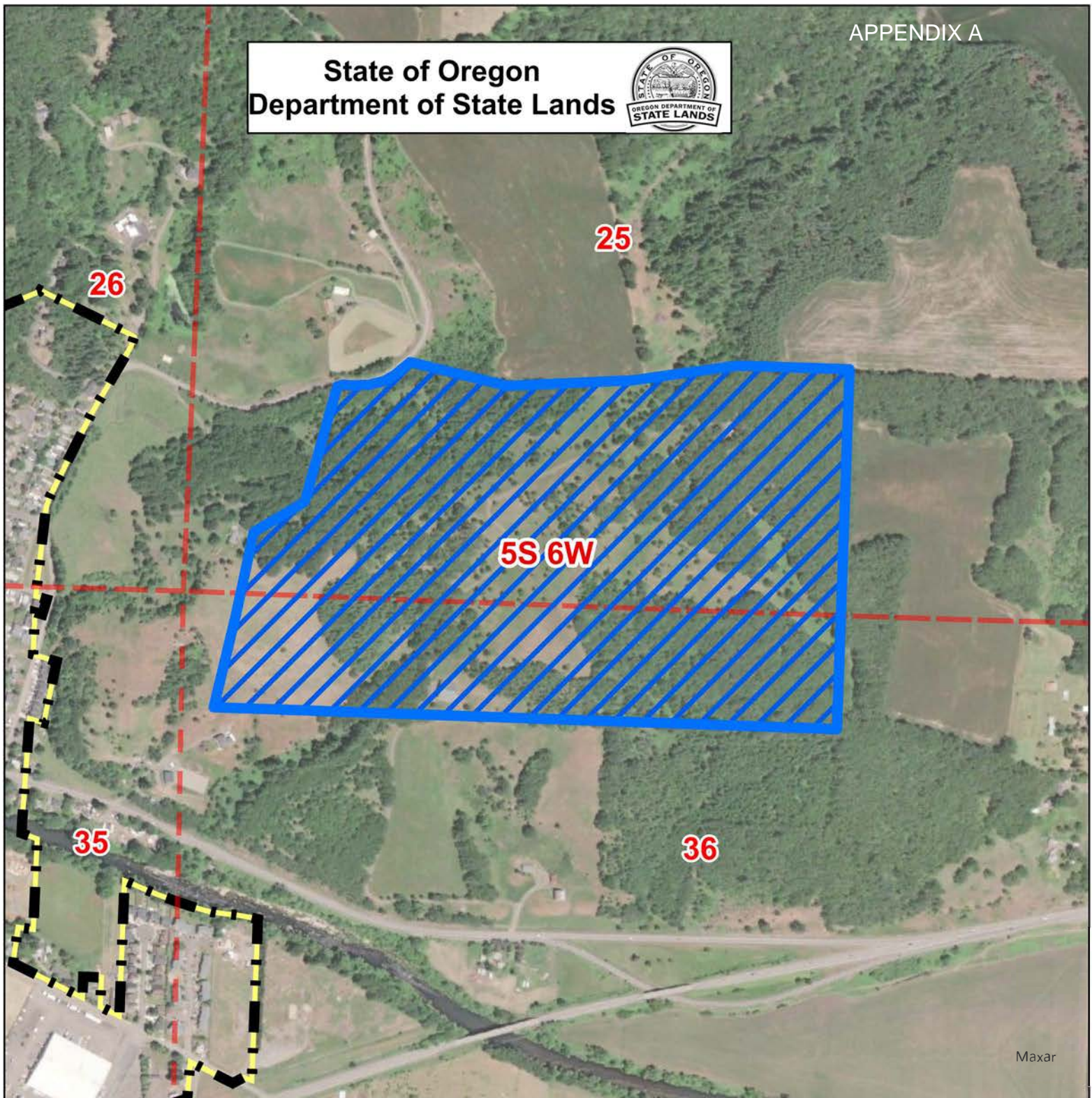
DSL staff recommends the State Land Board release and sell 123.54 acres of mineral and geothermal rights located at Township 05 South, Range 06 West, Section 25, Tax Lot 900, to the Yamhill SWCD.

**APPENDICES**

Appendix A – Site Map

Appendix B – DOGAMI Minerals Review Report

State of Oregon  
Department of State Lands

**EXHIBIT A**

**63471-LS**  
**T5S, R06W Section 25**  
**123.54 Acres**  
**Yamhill County**



Minerals Requested

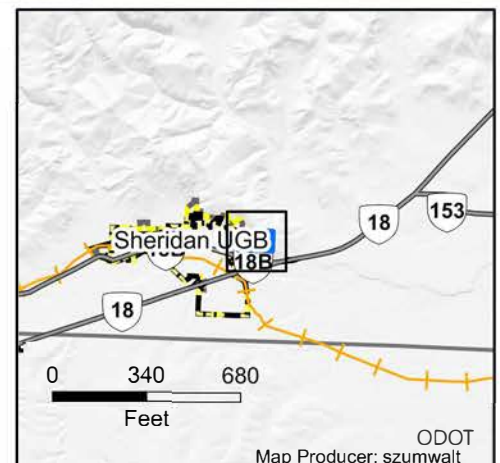
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123°22'29"W 45°6'6"N



Map Projection:  
 Oregon Statewide Lambert  
 Datum NAD83  
 International Feet  
 State of Oregon  
 Department of State Lands  
 775 Summer St NE, Suite 100  
 Salem, OR 97301  
 503-986-5200  
[www.oregon.gov/DSL](http://www.oregon.gov/DSL)

Date: 1/4/2023



State of Oregon  
Oregon Department of Geology and Mineral Industries  
Ruarri Day-Stirrat, State Geologist

## **MINERAL RESOURCE ASSESSMENT REPORT**

# **CHERRYHILL RANCH PROPERTY YAMHIL COUNTY, OREGON**

by Carlie J.M. Azzopardi<sup>1</sup> and Jason D. McClaughry<sup>2</sup>

for

Oregon Department of State Lands



2023

<sup>1</sup>Oregon Department of Geology and Mineral Industries, 800 NE Oregon Street, Suite 965 Portland, Oregon 97232

<sup>2</sup>Oregon Department of Geology and Mineral Industries, 1995 3<sup>rd</sup> Street, Suite 130 Baker City, Oregon 97814



## DISCLAIMER

The Oregon Department of Geology and Mineral Industries is not liable for any claimed damage from the use of this information.

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For additional information:  
Administrative Offices  
800 NE Oregon Street, Suite 965  
Portland, OR 97232  
Telephone (971) 673-1555  
Fax (971) 673-1562  
<http://www.oregongeology.org>  
<http://oregon.gov/DOGAMI/>

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## SUMMARY

This document describes the mineral resource assessment of state-owned Tax Lot 900, in T. 05 S., R. 06 W., Sec. 25 Yamhill County, Oregon (herein called Cherryhill Ranch Property). The Oregon Department of Geology and Mineral Industries (DOGAMI) conducted this study at the request of the Oregon Department of State Lands (DSL).

The DSL contacted DOGAMI on October 6, 2022 requesting a mineral resource assessment report for the Cherryhill Ranch Property. An email from DSL was received December 16, 2022 with authorization to proceed. A desktop mineral resource assessment was completed on January 31, 2023. The format of this report and its contents follows the requirements of the DSL-DOGAMI Interagency Agreement (DSL #19-180) for the 2019-2023 biennia.

This review is a low-level, qualitative assessment, designed to provide DSL with general information about the mineral resource potential of the Cherryhill Ranch Property. A detailed assessment and valuation of potential mineral resources, based on site visits and sampling, was beyond the scope for this work. The occurrence of minerals within the “study area”, an approximately 10 miles (16 km) radius area that borders the Cherryhill Ranch Property, is summarized below:

Type of Commodity	Study Area (Mineral Occurrences)	Cherryhill Ranch Property (Mineral Occurrences)
Aggregate (sand and gravel; stone, crushed and block; basalt)	56	0
Industrial mineral (limestone, clay, and zeolite)	6	0
Metals/minerals	2	0
Coal	0	0
Uranium and thorium	0	0
Geothermal features (abandoned)	2	0
Oil and gas wells (abandoned)	2	0

The Cherryhill Ranch Property has a low potential, level of certainty B (Goudarzi, 1984; see Sections 5.1 and 5.2 in the report; [Table 5-1](#), [Table 5-2](#)) for the following commodities or mineral fuels: aggregate industrial minerals; metals; coal, uranium, and thorium; geothermal; and oil and gas.

Cherryhill Ranch Property mineral resource potential is summarized below:

Type of Commodity	Resource Potential*	Level of Certainty**
Sand and gravel (borrow/fill/topsoil)	low	B
Construction material (crushed/block stone- basalt, dimension stone- rhyolite)	low	—B
Limestone	low	—B
Clay	low	—B
Pumice	low	—B
Silica sandstone	low	—B
Bentonite	low	—B
Metals (precious, base metals)	low	—B
Coal	low	—B
Uranium and thorium	low	—B
Geothermal	low	—B
Oil and gas	low	—B
Other industrial minerals (gemstone materials, perlite, zeolite, manganese, titanium, zirconium)	low	—B

\*See Section 5.1 for description of levels of resource potential

\*\*See Section 5.2 for descriptions of levels of certainty

## 1.0 INTRODUCTION

This report describes the mineral resource assessment of the Cherryhill Ranch Property, Tax Lot 900, in T. 05 S., R. 06 W., Sec. 25, Yamhill County, Oregon ([Figure 2-1](#)). The Cherryhill Ranch Property covers approximately 140 acres.

### 1.1 Instructions

The DSL contacted DOGAMI on October 6, 2022 requesting a mineral resource assessment report for the Cherryhill Ranch Property in Yamhill County. An email from DSL was received December 16, 2022 with authorization to proceed. A desktop mineral resource assessment was completed on January 31, 2023. The format of this report and its contents follows the requirements of the DSL-DOGAMI Interagency Agreement (DSL #19-180) for the 2019-2023 biennia.

### 1.2 Layout of Report

For the convenience of the reader, this report is divided into the following five sections:

- Section 1 is the introduction. It contains the project's instructions and the layout of report.
- Section 2 is a description of the physical and geologic setting.
- Section 3 is a desktop assessment that describes the Cherryhill Ranch Property potential mineral resources.
- Section 4 is a list of references; some of which were consulted as a part of this review but may not be cited in the text body because they contain no information on the Cherryhill Ranch Property.

- Section 5 contains a brief description of the methods and limitations of the study, along with two reference tables: Levels of Resource Potential and Levels of Certainty. These tables provide a dual scheme that expresses the favorability of the subject area for a given resource and confidence from which the level of resource potential was assigned.

## 2.0 PHYSICAL SETTING

The Cherryhill Ranch Property is located on the northeast edge of Sheridan in western Oregon (**Figure 2-1**). The town of Sheridan is split into north and south by the South Yamhill River. The Cherryhill Ranch Property covers an area of 140 acres. **Table 2-1** describes the physical setting of the Cherryhill Ranch Property; **Figure 2-1** shows its location and extent. Elevation in the Cherryhill Ranch Property ranges from approximately 584 to 295 feet and descends to the north and south from the east-west-trending ridge. The “study area”, is an approximately 10-mile (16 km) radius area spanning across parts of Yamhill, Polk, and the southeast corner of Tillamook counties and centered on Cherryhill Ranch (**Figure 2-2**).

**Table 2-1. Cherryhill Ranch Property physical setting.**

Size	140 acres
Topography	Foothills
Shape	irregular
Zoning	Rural Residential (from Oregon Explorer; <a href="https://spatialdata.oregonexplorer.info/geoportal/details?id=49bfb86d4e594a3c8fa8d968aaaa45e9">https://spatialdata.oregonexplorer.info/geoportal/details?id=49bfb86d4e594a3c8fa8d968aaaa45e9</a> )

Sheridan is located in the eastern foothills of the Oregon Coast Range, where the landscape transitions from Douglas-fir-dominated forests intermixed with sparse hardwood areas of oak, maple and ash, and blackberry thickets to agricultural fields. Sheridan is part of the Mediterranean climate type with warm dry summers and wet winters. The January mean low temperature is approximately 35°F and the July mean high is 81°F. Precipitation is ample during the fall to early spring wet season, with approximately 80 percent of the annual rainfall occurring between October and March. Average annual precipitation in the area equals 40 to 50 inches. Snowfall is generally sparse and light, with an average annual snowfall of 1 inch, falling between December and March.

The Cherryhill Ranch Property is accessible by Cherry Hill Road on the north. Land ownership within the study area is predominantly private, with areas of State, Federal, and local government lands. State-owned parcels are located along the northwestern half of the study area in the Tillamook State Forest, and at Erratic Rock Wayside (**Figure 2-2**). Federal lands are predominantly located to the northwest and southwest of Sheridan in the upland hills. The Cherryhill Ranch Property is surrounded by private land and just outside the urban growth boundary for the town of Sheridan.

Figure 2-1. Vicinity map for the Cherryhill Ranch Property (red shade). Basemap is a scanned version of a 1:24,000-scale USGS topographic map draped by a 1-m lidar hillshade. Source is NGS Esri Online.

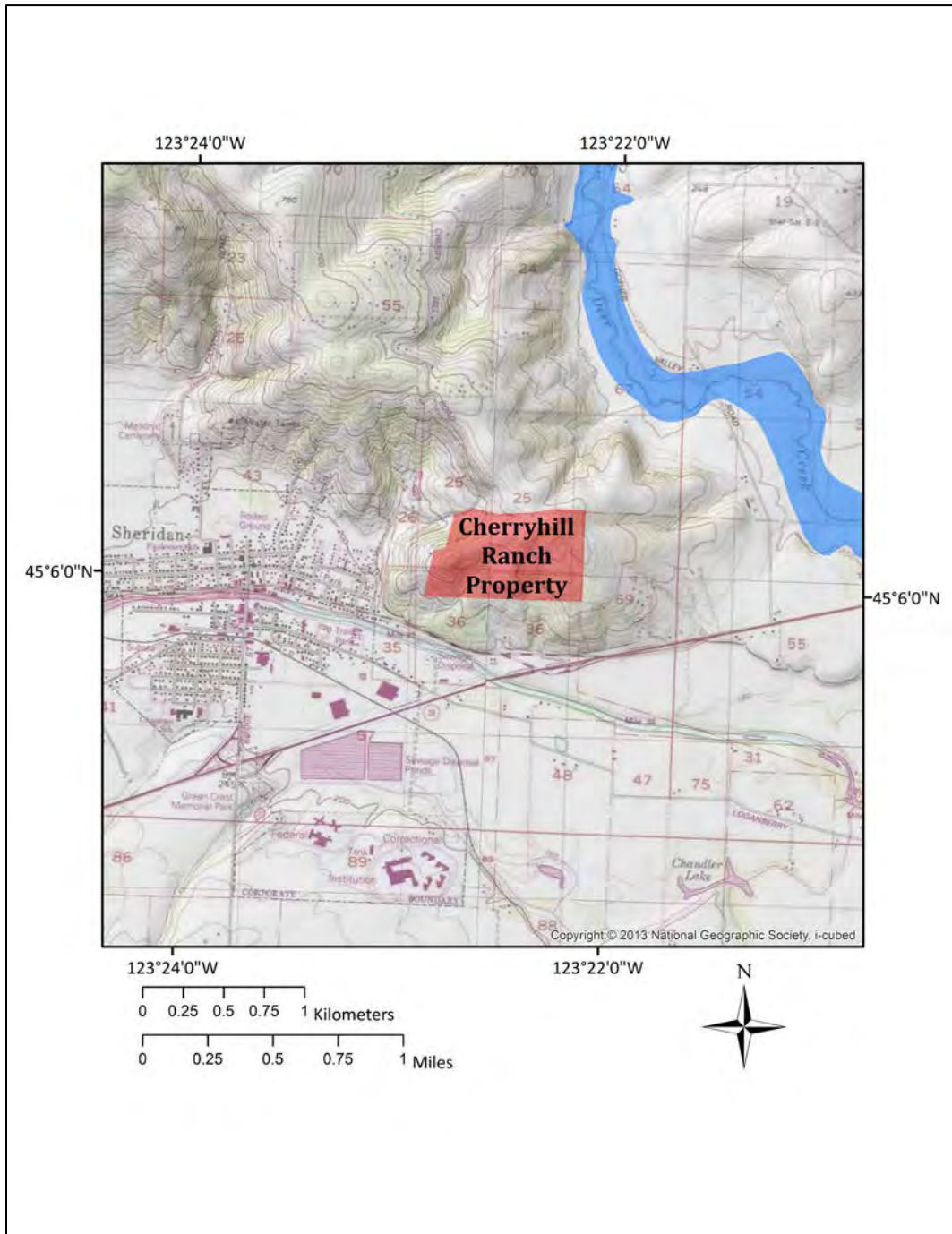
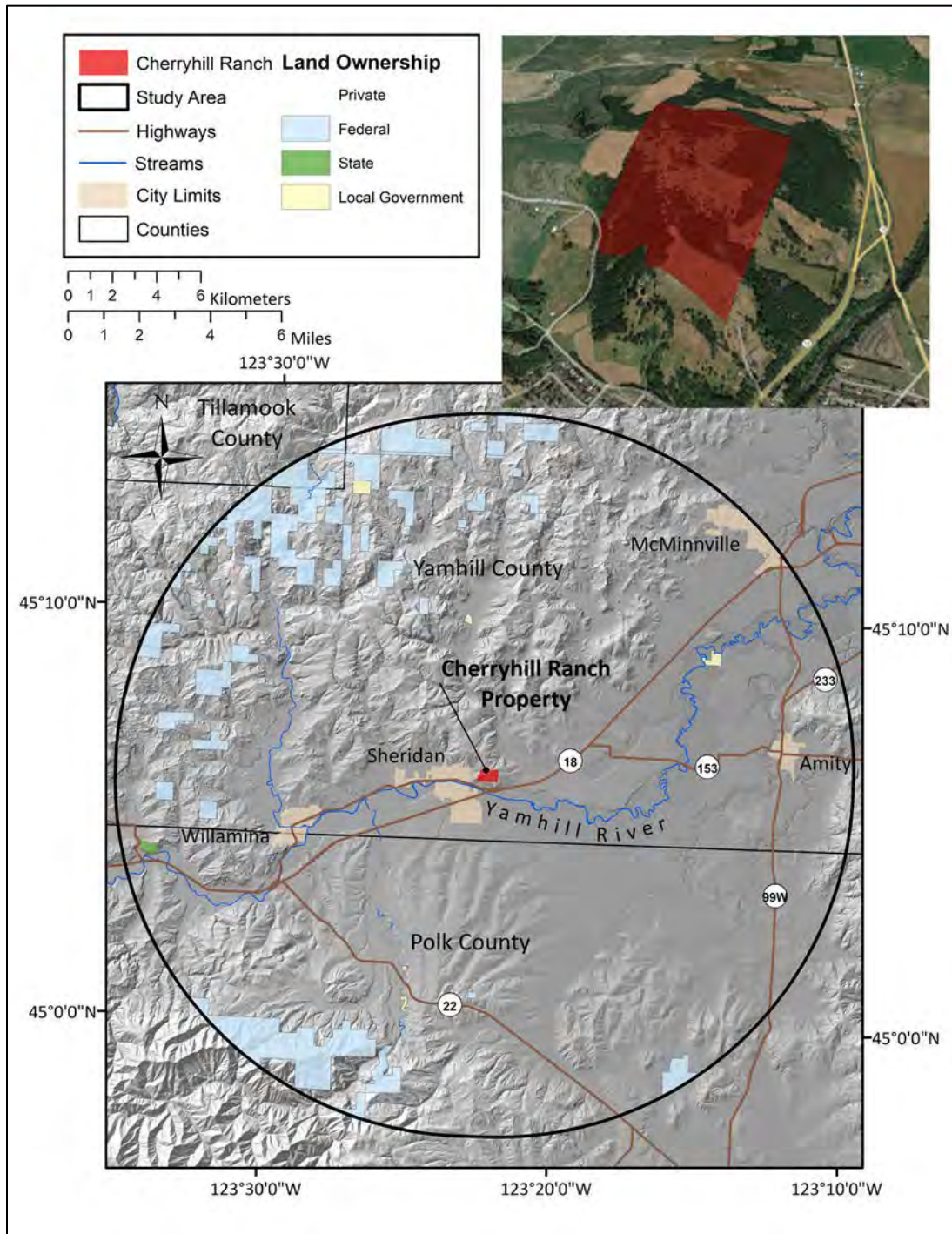




Figure 2-2. Map of land ownership in the study area. The black circle, which defines the study area, is a 10-mile radius around the Cherryhill Ranch Property. The basemap is a 1-m lidar hillshade. Inset map is an oblique view (3X vertical exaggeration) of the parcel looking northeast. Imagery from Google Earth™.



### 3.0 RESULTS

This section presents the results of the mineral resource scoping of the Cherryhill Ranch Property. While the focus of this assessment is the Cherryhill Ranch Property, the larger study area will be assessed to provide context for the site. A study area of this size provides a greater level of information about the identified occurrence of minerals and the Cherryhill Ranch Property's mineral setting.

Where this report indicates a potential mineral resource might exist, it is important to understand what a "resource" is and means. According to the U.S. Bureau of Mines and U.S. Geological Survey (USGS) Circular 381, "Principles of a Resource/Reserve Classification System, (1980)", "resource" means, "[a] concentration of naturally occurring solid, liquid, or gaseous material in or on the Earth's crust in such form and amount that economic extraction of a commodity from the concentration is currently or potentially feasible" (p. 1). An identified resource is a "resource whose location, grade, quality, and quantity are known or estimated from specific geologic evidence" (p. 1).

A resource or identified resource does not infer or imply a "reserve base" or "reserve" exists. A "reserve base" is "that part of an identified resource that meets specific minimum physical and chemical criteria related to current mining and production practices, including those for grade, quality, thickness, and depth" (p. 2). The meaning of a "reserve" is "that part of the reserve base which could be economically extracted or produced at the time of determination" (p. 2).

The non-fuel mineral commodities evaluated for this assessment include aggregate, industrial minerals (clay, silica sand, pumice, and limestone), and metals (precious, oxide, and base). Mineral fuel commodities evaluated are coal, uranium/thorium, geothermal, oil, and gas. Occurrences of other commodities (gem material, dimension stone, other clays (bentonite), perlite, zeolites manganese, titanium, zirconium, etc.) will be reported as industrial minerals when encountered as part of this evaluation.

The term "aggregate" includes gravel and sand and all consolidated stone used for construction and roads. Stone may be further classified as crushed—rock that has been broken into smaller fragments—and blocks. Also, no distinction is made between a mineral occurrence and mineral deposit. The term "mineral occurrence" applies to both and is used to refer to a concentration of a mineral that could be considered valuable by someone somewhere or that is of scientific or technical interest.

#### 3.1 Status of Mineral Surveys

- Wilson and Treasher (1938) conducted a preliminary report on some of the refractory clays of western Oregon. In their report they included the Willamina Clay located about 1 mile north of the town of Willamina, and that the Grand Ronde Clay deposit which was mined for firebrick (Wilcox, 1935).
- In 1951 DOGAMI released its Northwestern Oregon: Oregon Metal Mines Handbook the sixth bulletin compilation of mines and mineral deposits. Here they compiled the reports on limestone and clay occurrences within the study area.
- Weissenborn (1969) of the U. S. Geological Survey provided a short report on the Buell Limestone quarry that produced small amounts of low-grade limestone that supported local agriculture markets.
- Gray and Throop (1981) reported on rock material resources of Marion, Polk, Yamhill, and Linn counties, Oregon. Their study provided a mineral resource data base for use of the various county planning and public works departments, county and State road and highway departments, private



contractors, and private citizens. The intent was for short-range planning for rock material supplies and Land Conservation and Development Commission's Goal 5, Program 3b, in compliance with ORS 215. A simple table with basic data reported on multiple sites within the study area, mostly pertaining to crushed stone and an agricultural limestone occurrence.

- Geologic mapping by Brownfield (1982a,b) reported on the economic geology and potential in this part of Polk and Yamhill Counties. Brownfield (1982a,b) identified the following potential economic resources in the study area:
  - The Yamhill Formation contains abundant organic matter and could be considered a possible source rock for petroleum. However, sandstone beds have significant clay alteration and low porosity, thus limiting the potential as reservoir rocks.
  - Intercalated basalts in the Nestucca Formation and Siletz River Volcanics are sources of crushed rock; gravelly alluvium along stream channels and terraces are used for road construction.
  - Clays have been mined out of the Yamhill Formation near Willamina and north of Valley Junction (Wilcox, 1935). Clays occur beneath the unconformity with the overlying Nestucca Formation. Gray and Throop (1981) indicated the Valley Junction site could be used as a source of clay for brick or tile.
- Brooks (1989, 1990) also reported on limestone deposits in Oregon and two occurrences fall within the study area. The Buell Limestone quarry and the Eola Hills deposit were said to have produced small amounts of low-grade limestone used for agricultural purposes. Since 1967 there have not been records of production.
- Wermiel (1987) and Olmstead (1989) reported two hydrocarbon occurrences within the study area. Both are reported to be abandoned.
- Niewendorp and others (2012) reported two locations of geothermal occurrences in the Geothermal Information Layer for Oregon.

### 3.2 Mining Claims/Leases

DOGAMI does not maintain records pertaining to public claims or private mineral leases. As mentioned earlier, land ownership within the study area is a mix of private, State-owned, and Federal lands (see **Figure 2-2**). The BLM does make some records of mining claims on Federal lands easily available to the public on its LR2000 website ([www.blm.gov/lr2000/index.htm](http://www.blm.gov/lr2000/index.htm)) (LR2000, 2013). Only certain types of mineral discoveries can be claimed; these minerals are broadly known as “locatable” (possessing a distinct and special value) and include such things as precious metals, gems, high-value industrial minerals, uranium, etc. Locatable minerals generally do not include construction aggregate, common industrial minerals, oil, gas, coal, or geothermal resources.

The Cherryhill Ranch Property does not contain any known claims from the LR2000 website. Although, within the study area there were 2 closed placer claims and 4 closed lode claims of unknown commodity.

### 3.3 Mineral Setting

Brownfield and Schlicker (1981a, b), Brownfield (1982a, b, c), Wells and others (1983), Walker and Duncan (1989), Yeats and others (1996), and O'Connor and others (2001) provided the most current and detailed geological mapping in the study area. OGDC-7, which compiles the mapping works of these authors, is used to illustrate the geology of the study area in **Figure 3-1** (Franczyk and others, 2020).

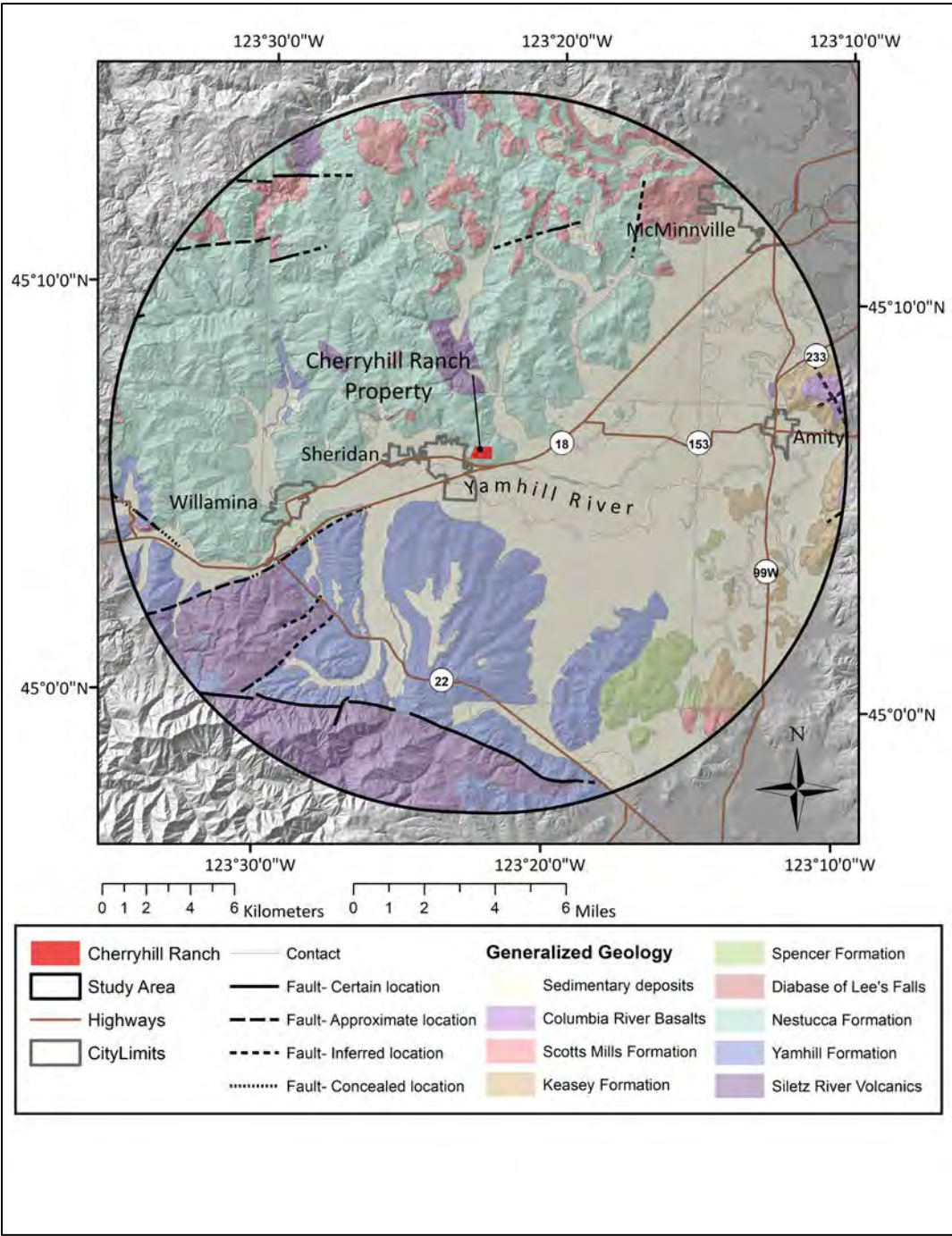
The geology of the study area consists of lower and middle Eocene volcanic rocks of the Siletz River Volcanics, overlain by marine sedimentary rocks of the middle and upper Eocene Yamhill, upper Eocene Nestucca, upper Eocene Spencer, and upper Eocene to lower Oligocene Keasey formations (**Figure 3-1**). The southern part of the study area shows the oldest rocks where mostly faulted Siletz River Volcanics are overlain by the Yamhill Formation. Foothill areas along the northern edge of the study area are dominated by outcrops of the Nestucca Formation that are locally intruded by the upper Eocene Diabase of Lee's Falls. Small hills in the eastern part of the study area show minor exposures of marine sedimentary deposits of the younger Spencer and Keasey formations. The lowland river valleys are infilled by the youngest units in the study area; extensive Quaternary alluvial deposits. The Yamhill River fault, striking northeast, roughly parallels the South Yamhill River valley, and juxtaposes the older Siletz River Volcanics against the younger Yamhill Formation in a down on the north apparent offset (Brownfield and Schlicker, 1982 a). A second fault that sub parallels the Yamhill River fault also juxtaposes the same formations and has the same apparent displacement. Several northeast-striking faults in this area are thought to be related to stress adjustments between these two faults (Brownfield and Schlicker, 1982b).

The Cherryhill Ranch Property is underlain by marine sedimentary deposits of the Nestucca Formation (**Figure 3-1**). Here the Nestucca Formation is unconformably buried by Quaternary alluvial deposits partly from the Yamhill River and Deer Creek valleys. The Nestucca Formation beneath and along the property may consist of tuffaceous siltstone and shale, with minor tuffaceous, feldspathic, cross-bedded sandstone near the base, interbedded basalt flows, pillow, pillowbreccia, breccia, and tuff; and/or local basalt feeder dikes may be present.

### **3.4 Known Mineral Occurrences**

In this report, no distinction is made between a mineral occurrence and mineral deposit. The term "mineral occurrence" applies to both and is used to refer to a concentration of a mineral that could be considered valuable by someone somewhere or that is of scientific or technical interest. The known mineral occurrences, geothermal features, and oil and gas exploratory wells in the study area, are tabulated below in **Table 3-2** and shown in **Figure 3-2**. There are no mineral occurrences within the Cherryhill Ranch Property. However, 4 mineral occurrences of crushed rock and 1 mineral occurrence of sand and gravel are present within 2 miles of the Cherryhill Ranch Property. No geothermal or oil and gas occurrences were found within 2 miles of Cherryhill Ranch Property (**Figure 3-2**).

Figure 3-1. Simplified geologic map of the study area. The map base is a 1-m lidar hillshade; the geology is modified from Franczyk and others (2020) OGDC7



### 3.4.1 Study Area

- There are 56 aggregate sites in the study area (some points on [Figure 3-2](#) overlap), 8 of which are sand and gravel deposits ([Table 3-1](#)). The other 48 sites produce crushed stone. These low-unit-value, high-bulk commodities serve local markets. Specific site conditions or restrictions associated with each site are unknown.
- There are 6 occurrences of industrial minerals, 3 limestone cement material, 2 clay, and 1 natural zeolite mineral ([Table 3-1](#); [Figure 3-2](#)).
- There are 2 metal occurrences, 1 bauxite, and the other silver, copper, and gold ([Table 3-1](#); [Figure 3-2](#)).
- Known geothermal wells that were drilled in the study area total 2 ([Table 3-1](#); [Figure 3-2](#)). One of those wells recorded a maximum temperature of 122°F.
- Known oil and gas wells that were drilled in the study area total 2 ([Table 3-1](#); [Figure 3-2](#)).

### 3.4.2 Cherryhill Ranch Property

There are no mineral occurrences within the Cherryhill Ranch Property ([Table 3-1](#)). Additionally, no geothermal or oil and gas occurrences were found within 2 miles of Cherryhill Ranch Property. However, within 2 miles of the Cherryhill Ranch Property there are 4 mineral occurrences of crushed rock and 1 mineral occurrence of sand and gravel ([Figure 3-2](#)).

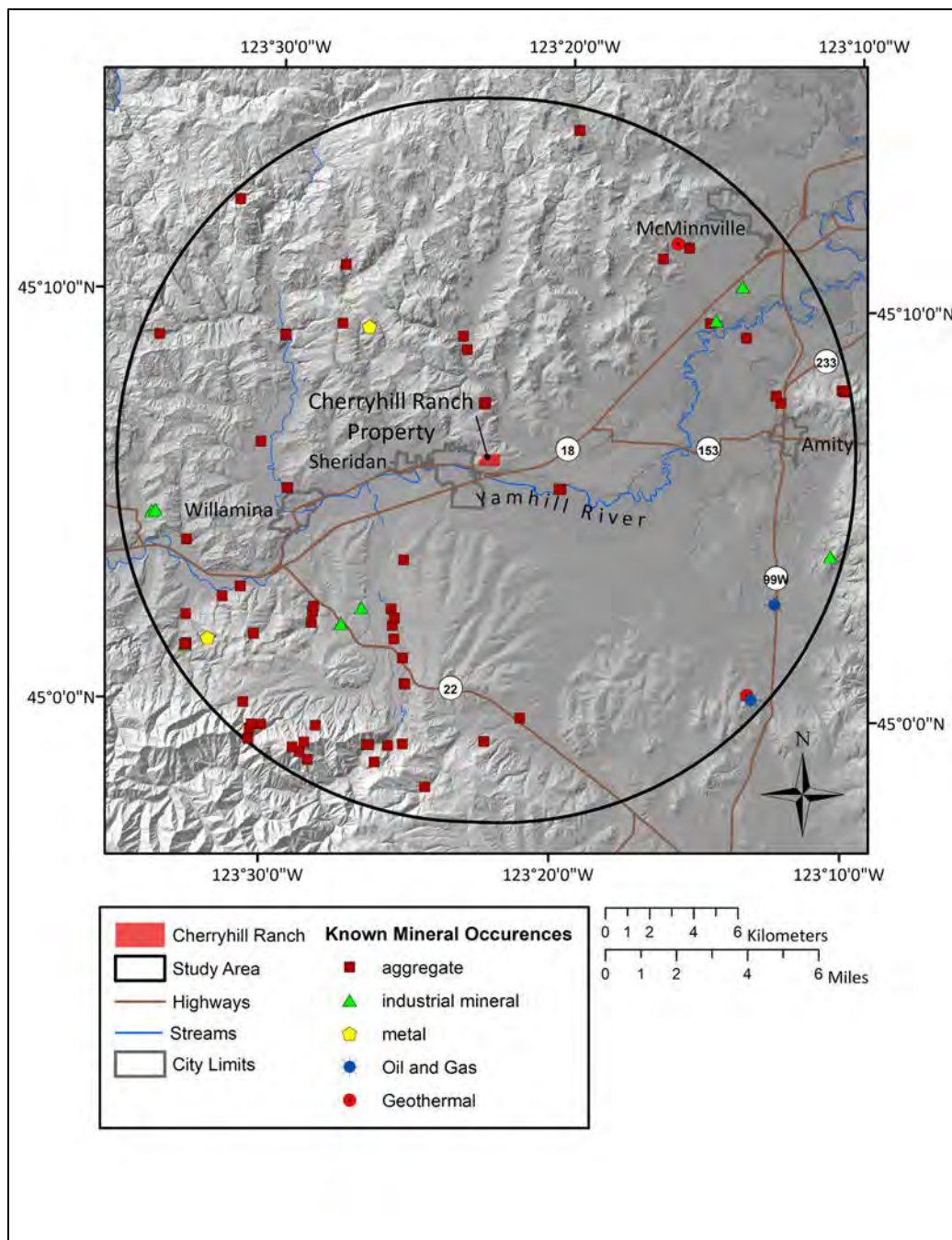
**Table 3-1. Minerals occurrences within the study area.**

Type of Commodity	Study Area (Mineral Occurrences*)	Cherryhill Ranch Property (Mineral Occurrences)
Aggregate (sand and gravel; stone, crushed and block; basalt)	56	0
Industrial mineral (limestone, clay, and zeolite)	6	0
Metals/minerals	2	0
Coal	0	0
Uranium and thorium	0	0
Geothermal features (abandoned)	2	0
Oil and gas wells (abandoned)	2	0

\*Mineral occurrence information queried from three spatial databases (see Section 4).



Figure 3-2. Mineral occurrences in the study area (black circle). The map base is a 1-m lidar hillshade. Some aggregate point locations overlap.





### 3.5 Mineral Resource Interpolation

The mineral resource potential is based on the interpolation of the study area's mineral inventory. Each type of commodity was rated based on the criteria explained by Goudarzi (1984) (see Section 5; [Table 5-1](#), [Table 5-2](#)). These criteria were adapted for this report so as to determine relative levels of resource potential and relative levels of certainty of assessment within the Cherryhill Ranch Property. A field assessment was not conducted in the preparation of this report. The mineral resource potential of the Cherryhill Ranch Property is summarized below and listed in [Table 3-2](#):

- The Cherryhill Ranch Property has low potential for an undiscovered industrial mineral resource, level of certainty B.
- The Cherryhill Ranch Property has a low potential for an undiscovered aggregate resource, level of certainty B.
- The Cherryhill Ranch Property has low potential for undiscovered resources of the following commodities or mineral fuels: metals; coal, and uranium, and thorium, level of certainty B.
- The Cherryhill Ranch Property has low potential for undiscovered geothermal or oil and gas resources, level of certainty B.

**Table 3-2. Mineral resource potential in the Cherryhill Ranch Property.**

Type of Commodity	Resource Potential*	Level of Certainty**
Sand and gravel (borrow/fill/topsoil)	low	B
Construction Material (crushed/block stone- basalt, dimension stone-rhyolite)	low	B
Limestone	low	B
Clay	low	B
Pumice	low	B
Silica sandstone	low	B
Bentonite	low	B
Metals (precious, base metals)	low	B
Coal	low	B
Uranium and thorium	low	B
Geothermal	low	B
Oil & Gas	low	B
Others industrial minerals: (gemstone materials, perlite, zeolite, manganese, titanium, zirconium)	low	B

\*See Section 5.1 for description of levels of resource potential

\*\*See Section 5.2 for descriptions of levels of certainty

## 4.0 LITERATURE SOURCES

*Some references below were consulted as a part of this review but may not be cited in the text body because they contain no information on the Cherryhill Ranch Property.*

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## 5.0 METHODS AND LIMITATIONS

The Scope-of-Work for this assessment did not include a site visit or field work. The objective of the examination was only to determine and/or confirm through desk-top research that a potential mineral resource exists or there is the potential for one. Data compilation efforts for the assessment includes, but is not limited to the following: published and unpublished geology and mineral/material resource literature available at DOGAMI.

A core part of the mineral inventory process is the review of six datasets:

- MILO-3 (Mineral Information Layer for Oregon, Release 3; McClaughry and others, 2020).
- GTILO-2 (Geothermal Information Layer for Oregon, Release 2; Niewendorp and others, 2012).
- MLRR (Mineral Land Reclamation and Regulation program of DOGAMI) databases.
- LR2000, the Federal Bureau of Land Management’s (BLM) electronic database for claims (inactive, closed; LR2000, 2013).
- An unpublished DOGAMI database of oil and gas wells in Oregon.
- OGDC-7 (Oregon Geologic Data Compilation, Release 7; Franczyk and others, 2020).

The collection and presentation of data is facilitated through GIS. This report of findings is tailored to address the required items listed in the Intergovernmental Agreement (IGA), DSL #19-180.

This examination did not include activities such as sampling and systematic geological, geophysical, and geochemical mapping as the basis for determination or confirmation that a mineral resource potential, deposit, or mineral occurrence exists.

A desktop inventory of mineral occurrences cannot alone determine the following:

- The accurate identification of the concentration and occurrence of material in relation to its particular geographical controls.
- The volume of valuable mineral or rock present or removed, and reserves remaining.
- The applicable extraction and processing methods and market factors for its products.

Also, this low-level mineral assessment cannot be the sole basis for an appraisal or the basis for other generally accepted industrial standard for placing a value on and with a resource and the land itself. Users of this report are advised to consult with DOGAMI to gain a better understanding of the inherent limitations of the information herein and its scope of inference.

Provided below are definitions for levels of mineral resource potential and certainty of assessment (modified from Goudarzi, 1984). Under this system, the level of mineral resource potential assigned to a commodity is based on geologic, geochemical, and geophysical characteristics.

An inventory of mineral occurrences cannot be used solely for appraisal purposes or the basis for other generally accepted industrial standard for placing a value on and with resource and the land.

## 5.1 Levels of Resource Potential (modified from Goudarzi, 1984)

Table 5-1. Levels of resource potential modified from Goudarzi (1984).

<b>HIGH</b>	<b>HIGH</b> mineral resource potential is assigned to areas where geologic, geochemical, and geophysical characteristics indicate a geologic environment favorable for resource occurrence, where interpretations of the data indicate high degree of likelihood for resource accumulation, where data support mineral-deposit models indicating presence of resource, and where evidence indicates that mineral concentration has taken place. Assignment of high resource potential to an area requires some positive knowledge that mineral-forming processes have been active in at least part of the area.
<b>MEDIUM</b>	<b>MEDIUM</b> mineral resource potential is assigned to areas where geologic, geochemical, and geophysical characteristics indicate a geologic environment favorable for resource occurrence, where interpretations of the data indicate high degree of likelihood for resource accumulation, where and (or) where an application of mineral-deposit models indicates favorable ground for the specified type(s) of deposits.
<b>LOW</b>	<b>LOW</b> mineral resource potential is assigned to areas where geologic, geochemical, and geophysical characteristics define a geologic environment in which the existence of resources is permissive. This broad category embraces areas with dispersed but insignificantly mineralized rock, as well as areas with obvious site limitations and little or no indication of having been mineralized.
<b>NO</b>	<b>NO</b> mineral resource potential is a category that should be reserved for a specific type of resource in a well-defined area.
<b>UNKNOWN</b>	<b>UNKNOWN</b> mineral resource potential is assigned to areas where information is inadequate to assign a low, moderate, or high level of resource potential.

## 5.2 Levels of Certainty of Assessment (Goudarzi, 1984)

Table 5-2. Levels of certainty assessment modified from Goudarzi (1984).

<b>A</b>	Available information is not adequate for determination of the level of mineral resource potential.
<b>B</b>	Available information suggests the level of mineral resource potential.
<b>C</b>	Available information gives a good indication of the level of mineral resource potential.
<b>D</b>	Available information clearly defines the level of mineral resource potential.





# Oregon

Tina Kotek, Governor

## Department of State Lands

775 Summer Street NE, Suite 100

Salem, OR 97301-1279

(503) 986-5200

FAX (503) 378-4844

[www.oregon.gov/dsl](http://www.oregon.gov/dsl)

## State Land Board

## State Land Board

### Regular Meeting

February 07, 2023

### Agenda Item 6

Tina Kotek

Governor

Shemia Fagan

Secretary of State

Tobias Read

State Treasurer

### **SUBJECT**

Request for approval to initiate rulemaking to restrict public use of state lands in and around Crump Lake, in Lake County, Oregon.

### **ISSUE**

Whether the State Land Board should initiate rulemaking within OAR 141-088, Rules Governing the Establishment of Restrictions on the Public Recreational Use Of State-Owned Land, to restrict public use of Crump Lake located in Lake County at Township 38 South, Range 24 and 25 East and as illustrated on Appendix A.

### **AUTHORITY**

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

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

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

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

### **BACKGROUND**

When referring to the Department's ownership at Crump Lake, there are about 1,500 acres of Crump Lake proper which does not dry up and, surrounding that, about 13,500

acres of shallow lakebed granted to the State Land Board through the Swamp Lands Act of 1859. Crump Lake is part of the Warner Valley closed basin system, which includes a series of connected shallow lakebeds that flow south to north and are fed by direct precipitation, and runoff from Twentymile Creek and Deep Creek. Due to frequent and significant drought conditions the larger lakebed surrounding Crump Lake proper is subject to extensive water recession during the summer months and extending into dry years. It can take multiple years for the lake to fill up, and conversely, multiple years to dry out. When Crump Lake experiences low water conditions, members of the public have been able to travel by foot and vehicle across the lakebed.

Beginning in 2014 DSL received reports from Oregon State Police, the Burns Paiute Tribe and the Klamath Tribe regarding vandalism and looting of significant cultural artifacts in and around Crump Lake. The concerns led the DSL Director to declare an emergency closure (Appendix B) for all uses by the public during the low water conditions of Crump Lake.

The Department has continued to receive reports since then, including incidents such as members of the public using equipment to cut into the lakebed, and nearby fences and gates being cut or destroyed. There have been incidents of culturally significant historical objects being looted, objects believed to have been placed during ceremonies or death rites alongside human remains. DSL Directors have implemented emergency closures several more times, most recently in July of 2022.

The emergency restrictions, which are pursuant to OAR 141-088-0007, temporarily close the area in and around Crump Lake when low water conditions are present. Executive emergency closures have helped to reduce negative impacts. However, the Department has determined that the adoption of a permanent rule during low water conditions is the most effective method to protect natural and cultural resources from looting and vandalism, prevent loss and damage to property, and to prevent damage to the environment in and around Crump Lake.

The Department has been studying water levels at Crump Lake using satellite mapping. The data collected will help inform the proposed rulemaking process which would explore making these restrictions permanent during low water conditions, while allowing for access by government personnel, emergency responders, lessees and adjacent landowners needing to inspect or maintain the property or lease area.

## **PUBLIC INVOLVEMENT**

Upon Land Board approval to initiate rulemaking, the Department will convene a rulemaking advisory committee (RAC) to review and provide input on the proposed rules and related development of a notice of proposed rulemaking and evaluation of fiscal impact. The Department will also gather input on the proposed rules through a public comment period and will hold at least one public hearing on the proposed rules.

The Department will take into consideration public comment, input from the RAC, and input from other local and state agencies, Tribal governments, and affected stakeholders to determine the appropriate final proposed restrictions in accordance with OAR 141-088-0006 which will go to the Land Board for adoption by rule at a future meeting.

### **RECOMMENDATION**

The Department of State Lands recommends the State Land Board authorize the Department to initiate rulemaking within OAR 141-088 to impose permanent restrictions on public use of State-owned lands during low water conditions in and around Crump Lake located in Lake County as illustrated on Appendix A.

### **APPENDICES**

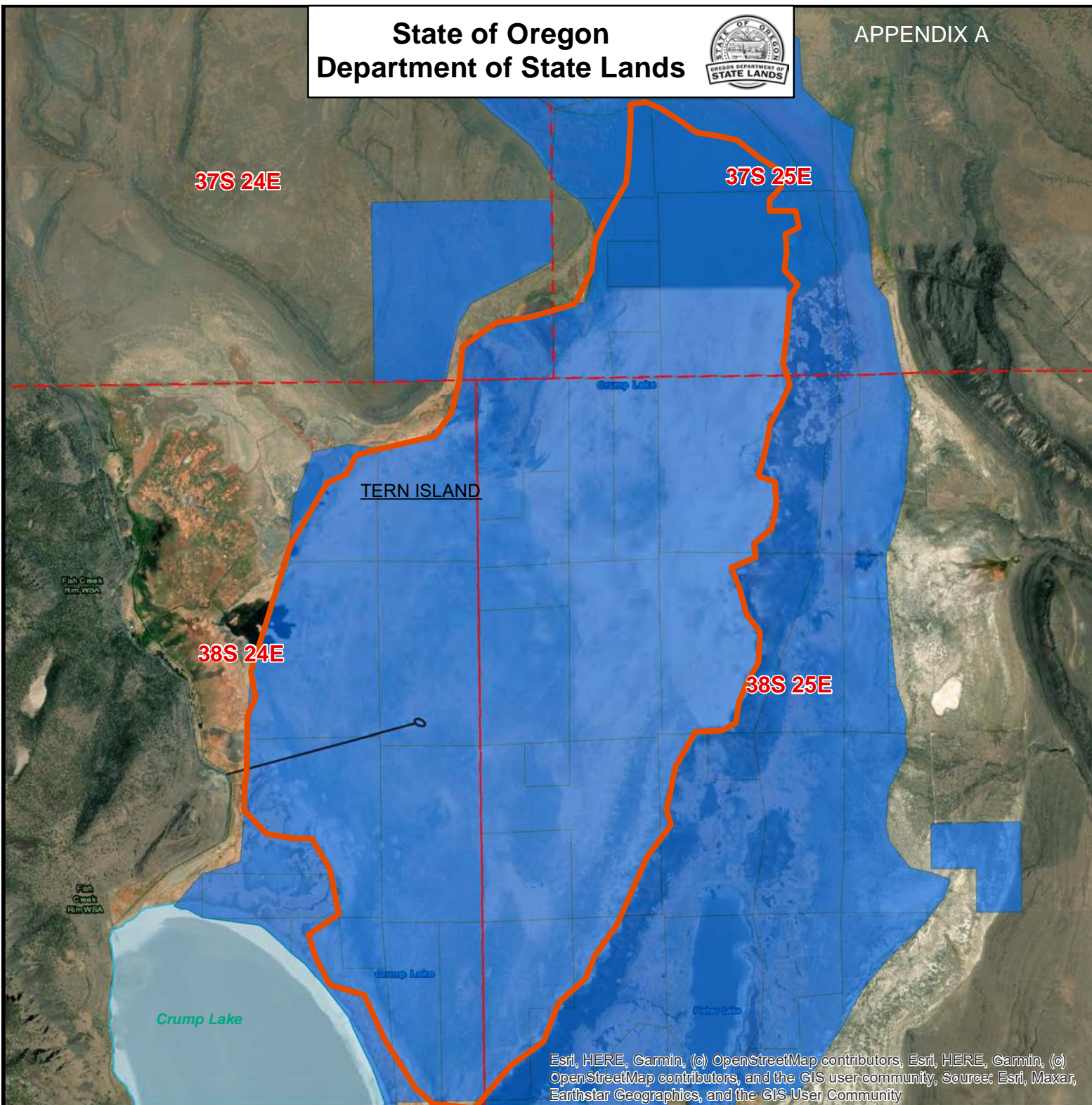
Appendix A - Site Map

Appendix B - Previous Director Emergency Closure Memos

# State of Oregon Department of State Lands



APPENDIX A



Esri, HERE, Garmin, (c) OpenStreetMap contributors, Esri, HERE, Garmin, (c) OpenStreetMap contributors, and the GIS user community, Source: Esri, Maxar, Earthstar Geographics, and the GIS User Community

## Appendix A

### Crump Lake DSL- Ownership Division 88 Rulemaking

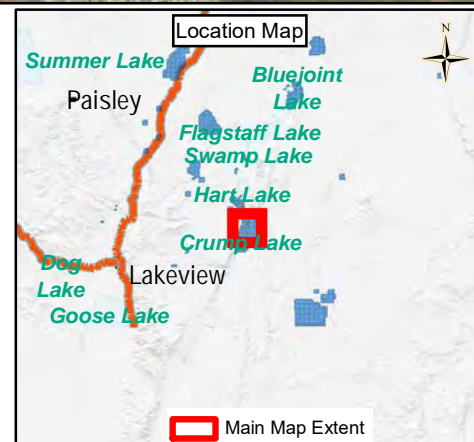
- DSL\_Waterways
- DSL Properties
- Tern Island
- Proposed Closure Area

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

0 1,900 3,800  
Feet



Map Projection:  
Oregon Statewide Lambert  
Datum NAD83  
International Feet  
State of Oregon  
Department of State Lands  
775 Summer St NE, Suite 100  
Salem, OR 97301  
503-986-5200  
www.oregon.gov/DSL  
Date: 1/17/2023





# REAL PROPERTY PROGRAM

## MEMORANDUM

**DATE:** July 11, 2022

**TO:** Director Vicki L. Walker  
Deputy Director Bill Ryan  
Real Property Manager Amber McKernan

**FROM:** Gary Curtis, DSL Statewide Archaeologist

**SUBJECT:** Emergency closure of Crump Lake

**BACKGROUND:** On November 20<sup>th</sup>, 2021, the Department of State Lands (DSL) enacted an emergency closure of state-owned lands in and around Crump Lake, in Lake County, Oregon.

The closure was deemed necessary to:

- Prevent loss of and damage to property
- Protect natural, historical, cultural and archaeological resources
- Prevent damage to the environment

This emergency closure was put in place for no longer than 180 days (6 months).

Over the past 6 months, the DSL has been monitoring the water level of Crump Lake using satellite imagery from Planet Labs Inc., and monitoring law enforcement activities in and around the Lake with the help from the Eastern Region Office staff, the Oregon Department of Justice and the Oregon State Police.

Based on current reports from the Oregon State Police, the most recent lake closure was a success in significantly limiting and/or preventing damage to Crump Lake, as well as to the natural and cultural resources contained therein. The current lake closure, however, expired on May 20<sup>th</sup>, 2022.

While satellite imagery showed Crump Lake to have sufficient water and moisture in and around the lakes shoreline to discourage vehicle and foot traffic access at that time, recent imagery shows however, that increasing warm temperatures across eastern Oregon with the onset of summer has taken its toll on the water level of Crump Lake. Except for the very south end of the Lake, the main body of Crump Lake (and main area of concern) is entirely dry once again (see Figure 1 on page 3).





# REAL PROPERTY PROGRAM

## MEMORANDUM

**RECOMMENDATION:** Therefore, as the Statewide Archaeologist for the Oregon Department of State Lands, I recommend that the DSL once again initiate an emergency closure of Crump Lake so we can continue our efforts in protecting the natural, cultural and archaeological resources of Crump Lake, along with preventing any damage to the lake environment and/or DSL property.

**APPROVAL SIGNATURES:**

Signature: Amber McKernan  
Amber McKernan, Real Property Program Manager

Date: Jul 12, 2022

Signature: Bill Ryan  
Bill Ryan, Deputy Director of Operations

Date: Jul 12, 2022

Signature: Vicki L. Walker  
Vicki Walker, Director

Date: Jul 12, 2022



# REAL PROPERTY PROGRAM

## MEMORANDUM

**Figure 1:** Satellite Imagery of Crump Lake as of 07/08/2022





# Oregon

John A. Kitzhaber, MD, Governor

## Department of State Lands

775 Summer Street NE, Suite 100

Salem, OR 97301-1279

(503) 986-5200

FAX (503) 378-4844

[www.oregonstatelands.us](http://www.oregonstatelands.us)

State Land Board

## MEMORANDUM

John A. Kitzhaber, MD

Governor

November 25, 2014

Kate Brown

Secretary of State

TO: Governor John A. Kitzhaber, MD  
Secretary of State Kate Brown  
State Treasurer Ted Wheeler

Ted Wheeler  
State Treasurer

FROM: Mary M. Abrams, Ph.D.  
Director

RE: Emergency closure of state land in Lake County

On November 25, 2014, I exercised my authority to enact an emergency closure of state-owned land per OAR 141-088-0007. Effective immediately, all state-owned submerged and/or submersible lands and swamp lands that are under the jurisdiction of the Department within Hart Lake, Crump Lake, and Goose Lake (see Appendix A and B) are closed to entry and all uses.

The closure is deemed necessary to:

- Prevent loss of and damage to property;
- Protect natural, historical, cultural and archaeological resources
- Prevent damage to the environment

These emergency closures are at the request of the Department's Eastern Region office. Indian artifacts are being looted from these sites, as record drought and receding water levels have exposed cultural artifacts and burial sites. This closure is supported by the Oregon State Police, the State Historic Preservation Office and the Legislative Commission on Indian Services. The Department discussed the pending closures with Senator Ferrioli on October 20, Senator Whitsett on October 28 and the Lake County Commissioners on November 4.

This emergency closure is in place for no longer than one year. The Department may impose an additional emergency closure after one year, if necessary. The Department may lift the closure if these lakes refill with water and the problem is alleviated. In the interim, the Department will further evaluate the situation with affected stakeholders,

and determine a course of action for permanently protecting historic artifacts and archeological objects at these lakes. The Department may bring a request to initiate permanent rulemaking to the Board in February of 2015, if that is determined to be the best course of action.

### APPENDICES

- A. Hart and Crump Lakes Emergency Closure Map
- B. Goose Lake Emergency Closure Map

cc: Lake County Commissioners  
 Senator Ted Ferrioli  
 Senator Doug Whitsett  
 Representative Cliff Bentz  
 Representative Gail Whitsett  
 Matt DeVore, Assistant Attorney General, Oregon Department of Justice  
 Karen Quigley, Executive Director, Legislative Commission on Indian Services  
 Curt Melcher, Interim Director, Oregon Department of Fish and Wildlife  
 Ron Anglin, Wildlife Division Administrator, Oregon Department of Fish & Wildlife  
 Dennis Griffin, Oregon State Historic Preservation Office  
 Diane Teeman, Burns Paiute Tribe  
 Perry Chocktoot, Klamath Tribe  
 Kenneth Sam, Fort Bidwell Paiute Indian Community  
 Sally Bird, Confederated Tribes of Warm Springs  
 Captain Jeff Samuels, Oregon State Police  
 Lieutenant David Gifford, Oregon State Police  
 Sergeant Randall Hand, Oregon State Police  
 Trooper Ryan Tague, Oregon State Police



# State of Oregon Department of State Lands

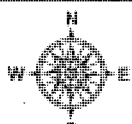


Hart Lake

Crump Lake

2012 USDA/NAIP Imagery

Data: HERE, DeLorme, MapmyIndia, © OpenStreetMap contributors

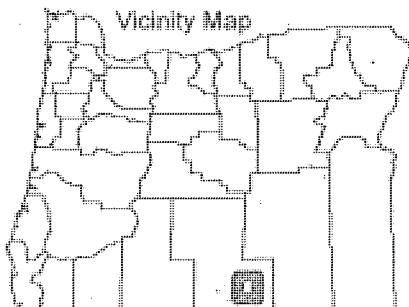



0 1 2  
Miles

1 inch = 3 miles

Map Projection:  
Oregon Statewide Lambert  
Datum NAD83  
International Foot

Vicinity Map



 Submerged/Submersible  
and Swamp Lands

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

## Appendix A

State of Oregon  
Department of State Lands  
775 Summer St, NE, Suite 100  
Salem, OR 97301  
503-988-5200  
[www.oregon.gov/DSL](http://www.oregon.gov/DSL)  
Date: 11/14/2014



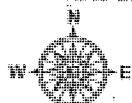
# State of Oregon Department of State Lands



Goose Lake

2012 USDA NAIP Imagery

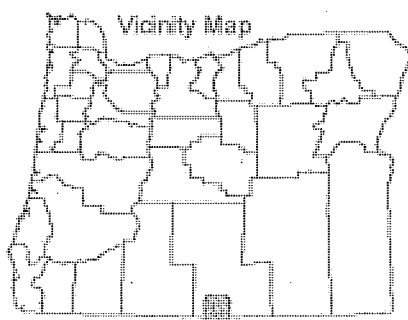
Bas. HERE, DeLorme, Magellan, Garmin, etc.



0 1 2  
Miles

1 inch = 2 miles

Map Projection:  
Oregon Statewide Lambert  
Datum NAD83  
International Foot



Submerged/Submersible  
and Swamp Lands

## Appendix B

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

State of Oregon  
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503-986-5200  
[www.oregon.gov/DSL](http://www.oregon.gov/DSL)  
Date: 11/14/2014





**MEMORANDUM  
OREGON STATE POLICE**

DATE: September 25, 2014

TO: Lieutenant David Gifford  
Southwest Region Fish and Wildlife

FROM: Randall G. Hand, Sergeant  
Klamath Falls Area Command

SUBJECT: ACTION PLAN: ARCHAEOLOGICAL PROTECTION – KLAMATH AND LAKE COUNTIES

GOAL: The goal of this action plan is to provide a saturation of law enforcement effort to Klamath and Lake Counties in efforts to protect Oregon's Archaeological Resources.

**HISTORY/CONCERN:**

South-Central and Eastern Oregon have undergone a prolonged drought and the local lakes (which are naturally shallow) have gone dry. In ancient times, these areas were lush with more water and vegetation and these areas were home to large numbers of Native Americans. In fact, not far away at Fort Rock, an excavation revealed a cache of sagebrush sandals that have been dated at 9,000 to 13,000 thousand years old. More recently, at a location called the Paisley Caves, scientific excavation revealed coprolites (petrified human feces) dated at 12,750 and 14,290 calendar years before the present. This newly discovered DNA evidence of prehistoric man is thought to be several thousand years older than was previously known in North America.

During drought times many of the local lakes dry up and expose archaeological evidence including, but not limited to, arrowheads, funerary items, and ancient human remains. Artifact and arrowhead hunters from across the south-central part of the state have been curry-combing the lake beds to look for these items. Most are collecting as a hobby, while others will offer their located items for sale.

In more recent times, during World War II Goose Lake was used as an area to train pilots for the war effort. At least five aircraft were lost in Goose Lake along with their crews. My sources have told me that during that time frame, recovery of the aircraft was impossible due to the limited resources and that thick vegetation would not allow access. My sources further tell me that the crew was considered "lost at sea" and never recovered. These sights are now considered burials.

Looters have been taking items from the aircraft including a 50 caliber machine gun, 20 mm cannons, propellers, and more recently an engine. All items are inoperable due to rust and corrosion and not believed to be a danger to the public however they are all considered property of the US Government.

The summer of 2014 has been plagued with several wildfires in Oregon. One of the earliest and largest fires was the "Gulch Fire" which started in Southeast Jackson County and spread south and east into Klamath County and Northern California. The fire has cleared away the thick vegetation and the local BLM Ranger has reported looting is now occurring in that area as well.

Lake County is one of the largest Oregon Counties and is one of the less densely occupied areas of the United States. The Fish and Wildlife Trooper assigned to Lakeview is primarily responsible for the enforcement of fish, wildlife, and boating laws but also spends time patrolling for other criminal activity which includes but is not limited to archaeological disturbance and theft.

**OPERATIONAL AREA AND TIME PERIOD:**

The operational area shall be the south halves of Klamath and Lake Counties. The majority of the effort shall be near Crump, Hart, Goose, and Abert lakes. A lesser amount of time may be spent in the southern portion of Klamath County along the Klamath River.

The time period shall be a one week period September 27 – October 3, 2014.

**OPERATIONAL PLAN:**

The plan shall be to provide additional Oregon State Police resources to the area of ongoing looting activities for a one week period immediately prior to the beginning of Oregon's Controlled Deer Hunting Seasons. Out of area troopers will be assigned to patrol the areas, make contacts, and investigate any criminal activity.

One Trooper shall work from a remote location (Salem) to investigate reported illegal sales of artifacts on the internet through such sources as eBay and Craigslist.

One trooper shall utilize the Oregon State Police airplane to patrol and assist with locating suspicious activity on or near the lake beds.

**DATA TO BE COLLECTED:**

Number of Troopers utilized:

Hours Spent:

Total number of contacts made:

Cases Investigated:

**COMPLETION DATE:**

The investigation of illegal artifact operations shall be ongoing and occur year-round. However the completion date for this saturation shall be midnight on October 3, 2014. A report shall be submitted no later than November 7, 2014.

**MEMORANDUM  
OREGON STATE POLICE**

DATE: October 20, 2014

TO: Lieutenant David Gifford  
Southwest Region Fish and Wildlife

FROM: Randall G. Hand, Sergeant  
Klamath Falls Area Command

SUBJECT: **EVALUATION: ARCHAEOLOGICAL PROTECTION – KLAMATH AND LAKE COUNTIES**

GOAL: The goal of this action plan was to provide a saturation of law enforcement effort to Klamath and Lake Counties in efforts to protect Oregon's Archaeological Resources.

**RESULTS:**

A one week action plan was conducted September 27 to October 3, 2014, specifically to protect Oregon's Archaeological Resources in Klamath and Lake Counties.

Ten officers participated in this action plan over the reporting period and accounted for a total of 166 patrol hours. The airplane was utilized for one day for a total of four hours of air patrol. The air hours are included in the total patrol hours.

The patrols were concentrated on the dry lake beds in Lake County with additional patrols in and around areas in Klamath County as well. Approximately 36 people were contacted during this time period. Many subjects contacted were participating in activities other than looking for artifacts. These activities included bird watching, bow hunting, and coyote hunting.

Trooper Tague contacted 13 subjects for archaeological reasons, of which six were considered to be in violation of Archaeological Laws. None of the six had enough to warrant citation.

Senior Trooper Maher made contact with a male and female subject at Crump Lake. The male subject had two pieces of obsidian that he considered to be broken pieces and not considered to be artifacts. The female subject had five pieces of obsidian including one big obsidian rock, one well defined arrowhead, and three additional arrowheads or points. The female was allowed to keep one arrowhead and the rock. The three additional points were seized as evidence. A report will be forwarded to the Lake County DA's office.

One officer from the Special Investigations Unit was assigned to check the internet for subjects unlawfully selling or buying artifacts. Per my last conversation with the officer, there are numerous items for sale with alleged connection to Southeast Oregon. The SIU officer has identified several subjects whose activities are suspicious and those investigations are on-going.

**EVALUATION:**

Patrolling specifically to protect archaeological artifacts is difficult at best. The geographic area is very large and cannot be observed from any single location. In addition factors such as heat mirage make it difficult to locate subjects in this environment. Once located, the subjects are often under surveillance through a spotting scope to determine what they are doing. Distance and heat mirage become a factor as it can be difficult to determine what type of item is picked up and if it is even retained.



As many resources as could be mustered was deployed for a one week period. The officers patrolled for 166 hours and contacted approximately 36 people; most of which were engaged in activities other than arrowhead hunting. Three officers encountered no one during their patrol effort. No contacts were made as a result of using the aircraft during this period, though there has been success in the past.

At least two officers mentioned that some of the contacts they made had obtained information from the Lake County DA's office indicating arrowhead collecting was not unlawful as long as ATV's or tools were not used.

Officers mentioned that several contacts refused consent to search for artifacts. The officers mentioned that the distance was so great that knowing was items were picked up and retained was impossible and therefore a search based upon probable cause could not be made.

Finally the laws related to the protection of Archaeological resources are convoluted and leave too much to interpretation. Currently, the biggest issue is the term "an arrowhead" as used in 358.920. Further issue is that "an arrowhead" is not defined and leaves interpretation up to that of the reader.

**358.920 Prohibited conduct; exception; penalty.** (1)(a) A person may not excavate, injure, destroy or alter an archaeological site or object or remove an archaeological object located on public or private lands in Oregon unless that activity is authorized by a permit issued under ORS 390.235

(b) Collection of an arrowhead from the surface of public or private land is permitted if collection can be accomplished without the use of any tool.

(c) It is prima facie evidence of a violation of this section if:

(A) A person possesses the objects described in paragraph (a) of this subsection;

(B) A person possesses any tool that could be used to remove such objects from the ground; and

(C) A person does not possess a permit required under ORS 390.235.

(2) A person may not sell, purchase, trade, barter or exchange or offer to sell, purchase, trade, barter or exchange any archaeological object that has been removed from an archaeological site on public land or obtained from private land within the State of Oregon without the written permission of the landowner.

(3)(a) A person may not sell, trade, barter or exchange or offer to sell, trade, barter or exchange any archaeological object unless the person furnishes the purchaser a certificate of origin to accompany the object that is being sold or offered. The certificate shall include:

(A) For objects obtained from public land:

(i) A statement that the object was originally acquired before October 15, 1983.

(ii) The location from which the object was obtained and a brief cumulative description of how the object had come into the possession of the current owner in accordance with the provisions of ORS 358.905 to 358.961 and 390.235.

(iii) A statement that the object is not human remains, a funerary object, sacred object or object of cultural patrimony.

(B) For objects obtained from private land:

(i) A statement that the object is not human remains, a funerary object, sacred object or object of cultural patrimony.

(ii) A copy of the written permission of the landowner to acquire the object.

(b) As used in this subsection, "certificate of origin" means a signed and notarized statement that meets the requirements of paragraph (a) of this subsection.

(4)(a) If the archaeological object was acquired after October 15, 1983, from public lands, any object not described in paragraph (b) of this subsection is under the stewardship of the state and shall be delivered to the Oregon State Museum of Anthropology. The museum shall work with the appropriate Indian tribe and other interested parties to develop appropriate curatorial facilities for artifacts and other material records, photographs and documents relating to the cultural or historic properties in this state. Generally, artifacts shall be curated as close to the community of their origin as their proper care allows. If it is not feasible to curate artifacts within this state, the museum may after consultation with the appropriate Indian tribe or tribes enter into agreements with organizations outside this state to provide curatorial services; and

(b) If the object is human remains, a funerary object, a sacred object or an object of cultural patrimony, it shall be dealt with according to ORS 97.740, 97.745 and 97.750.

(5) A person may not excavate an archaeological site on privately owned property unless that person has the property owner's written permission.

(6) If human remains are encountered during excavations of an archaeological site on privately owned property, the person shall stop all excavations and report the find to the landowner, the state police, the State Historic Preservation Officer and the Commission on Indian Services. All funerary objects relating to the burial shall be delivered as required by ORS 358.940.

(7) This section does not apply to a person who disturbs an Indian cairn or burial. Any person who disturbs an Indian cairn or burial for any reason shall comply with the provisions of ORS 97.740 to 97.760.

(8) Violation of the provisions of this section is a Class B misdemeanor. [1983 c.620 §3; 1993 c.459 §4; 1995 c.543 §4; 1997 c.249 §115]



FILE

SP/14-143342



# Oregon State Police

## Incident: SP14143342

### Incident details:

**Incident Type:** Citation - Crime  
**Incident time:** 02/10/2014 06:00 - 02/10/2014 20:00  
**Reported time:** 05/15/2014 14:35  
**Incident location:** ADEL, LAKE - 19 OR USA (CRUMP LAKE) (Hunt unit: 70, Beat: LKO, Region: SWR)  
**Incident status:** Cleared by Arrest (OSP)  
**Summary:**

### Involved Persons:

**Name:** WELCH, DERALD **Gender:** Male  
**Classification:** Arrested; Charged; Citation issued to **DOB:** 06/13/1966  
**DL:** 3923130 OR  
**Address:** 1210 S 10TH St., LAKEVIEW, LAKE - 19 OR USA  
 97630 (Hunt unit: 70BEATYSBUTTE, Beat: LKO,  
 Region: SWR) 97630  
**Telephone:** (Cell phone) (541) 219-0953

**Name:** ULTEY, LARRY ADRIAN **Gender:** Male  
**Classification:** Witness **DOB:** 09/04/1949  
**DL:** 2760355 OR  
**Address:** 28975 HOGBACK RD, PLUSH, LAKE - 19 OR USA  
 97637 (Beat: LKO, Region: SWR) 97637  
**Telephone:** (Landline) (541) 947-3255

**Name:** CLAUSE, DOUGLAS **Gender:** Male  
**Classification:** Witness **DOB:** 06/02/1950  
**DL:** 1128020 OR  
**Address:** 134 S H St., LAKEVIEW, LAKE - 19 OR USA 97630  
 97630  
**Telephone:** (Landline) 15419474362

**Name:** LANE, DENIS **Gender:** Male  
**Classification:** Landlord/property mgr **DOB:**  
**DL:**  
**Address:** 23443 PLUSH-ADEL RD, PLUSH, LAKE - 19 OR USA

97637 (Beat: lko, Region: swr) 97637

Telephone: (Landline) (541) 947-3929

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Name: DIEDERICH, MATTHEW Gender: Male

Classification: Other agency; Other involved person DOB:

DL:

Address:

Telephone: (Landline) (503) 986-0577

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Name: CHOCKTOOT, PERRY Gender: Male

Classification: Other involved person DOB:

DL:

Address:

Telephone: (Landline) (541) 783-2219

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### Involved Property:

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- P14010710 / Personal: Pocket knife, knife / Evidence

### Involved Officers:

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- Other / HAND, R. / #31601 / OSP / Officer / SW REGION F&W COMMAND
- Reporting Officer/Case Lead / TAGUE, R. / #50865 / OSP / Officer / KLAMATH FALLS AC F&W
- Dispatcher/TC2 / SHORB, M. / #35232 / OSP / Non sworn / DISPATCH

### Reports:

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#### General report:

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Author: #50865 TAGUE, R. Report time: 05/23/2014 13:31

Entered by: #50865 TAGUE, R. Entered time: 05/23/2014 13:31

Narrative:

Distribution: GHQ, Lake County District Attorney, DOJ-Patrick Flannigan

#### Action Taken:

On February 18, 2014, I was on patrol, in uniform displaying a badge, while operating my assigned patrol unit. I was patrolling archeological sites on the east edge of Crump Lake in a remote area of Eastern Lake County. Several dozens of people were driving, walking, and riding around the center of Crump Lake looking for arrowheads on the surface. At the time, I believed that the statute allowed any surface collection of arrowheads as long as no tools were used to recover the arrowhead.

I contacted Doug Clause and Larry Utley on four-wheelers in the middle of the lake. After some small talk they informed me that "Dery Welch" had found a beautiful "knife" on Crump Lake last week. About mid-afternoon, I contacted Derald "Dery" Welch who was actively searching for arrowheads. Mr. Welch was on a large four-wheeler on the east side of Crump Lake with another subject. Both subjects were

actively looking for arrowheads as they were driving their four-wheelers in slow "serpent grid" patterns. I observed Mr. Welch looking at the ground immediately around him. I drove alongside Mr. Welch, who was startled since he was focused on the ground, and did not notice me drive up next to him. I observed him wearing some yellow tipped riding gloves similar to those in photo ERST03. Mr. Welch stated that he did not find anything good that day. I engaged in small talk with Mr. Welch and the other subject without mentioning the knife since several groups of people had come over to talk.

Since about August 2013, I have made numerous trips to Crump Lake to protect the archeological sites from the ever increasing flow of artifact hunters. Crump Lake, due to the recent drought, has very little water and allows the archeological objects to be uncovered by dust blowing off the lake bed. I have become familiar with how people search for arrowheads and have become familiar with some of the regular users of Crump Lake. I know that when the winds blow from the south, a large number of people will show up to find recently uncovered archeological objects. I also know that many of these people will carry weapons and come to search at night to hide their activities.

I have on several occasions observed Mr. Welch's vehicle parked on or near the LX Ranch. On one occasion I took Global Positioning Coordinates (GPS) and a video of Mr. Welch's truck while it was parked on the lake.

On April 14, 2014, while on duty, I contacted Mr. Welch at Dog Lake. I checked his angling license and inspected his boat. I asked about the "knife" and he stated he found it at Crump Lake. He showed me a cell phone photo of the knife in some mud. The photo appears to be the same or very similar to Photo ERST02. Mr. Welch was proud to have found such a knife. I left Mr. Welch so he could go fishing and so I can further review the laws regarding archeological matters.

On May 1<sup>st</sup>, 2014, I was informed by Sergeant Randy Hand about a large knife found on Crump Lake. Sgt. Hand received pictures of the knife that showed it to be over 11" long and sent them to me. Mr. Hand informed me that Perry Chocktoot, a cultural expert with Klamath Tribes stated the knife is large enough that it is considered a sacred object (ceremonial blade). I recognized one of the photos sent by Sgt. Hand as one shown by Mr. Welch.

On May 2, 2014, I called Matt Dietrich from the State Historic Preservation Office and was informed that ORS 358.920, allows surface collection of an arrowhead and that they (SHPO) believe that means only one arrowhead. I described the large 11" knife and asked if it would be sacred and he stated it would be. I also asked about the lake being an archeological site and he stated only a few areas are listed as actual archaeological sites.

On May 2, 2014, I asked LX Ranch owner Dennis Lane if he had given written permission to trespass to anyone and he said no. Mr. Lane gives a few local people verbal permission to trespass including Derald Welch. Mr. Lane has expressed his concern for the archeological hunters as they have caused damage to his fences, scared his cows, and recently reported them running up the public roadway using off highway vehicles (OHV). Mr. Lane also informed me that he has several old native campsites on his land and that this area has rich native history.

On May 5, 2014, I received a call from Randy Weist, Department of State Lands Manager for Crump Lake. He informed me the lake as a whole is not an archeological site according to his archeologists.

On May 15, 2014, while on duty, I contacted Mr. Welch at his residence. I informed Mr. Welch that I was recording and asked him about the knife. He stated in substance that he had found the knife south of "Bird Island" on Crump Lake which is located on public land (Oregon Department of State Lands). He stated he was alone and collected it on February 10<sup>th</sup>, 2014 which is his grandfather's birthday. He stated he believes it was an arrowhead, though he knew it as a knife and that it was made of basalt. Mr. Welch started to refer the knife as a spear and believes it could have been used to kill mastodons. I informed Mr. Welch that experts in the field believe it is a sacred knife. I asked Mr. Welch if he had a permit and he stated no he does not. Mr. Welch stated that he does not sell his items and keeps them for personal collection. I asked if he still had the knife and he originally stated it was in a safety deposit box. I asked what bank and he then admitted to have the item in the house. I asked if he would surrender it and he said he didn't want too, but would. I asked if he had any other items and he stated he



did not. I asked if he knew anyone who might have any archeological objects and he stated he did not. It appeared Mr. Welch was becoming irritated as he answered more questions. I told Mr. Welch I would be right back and went to my truck to get an evidence bag in which Mr. Welch quickly went into his house and retrieved the knife preventing me from finding any other items he may have had. Mr. Welch handed me the knife that I uncovered and verified it was the knife from the photos. I placed the knife into evidence as item ERST01. I notified Lake County District Attorney, Ulys Stapleton by phone of the seizure as required under ORS 358.924.

On May 22, 2014, while on duty, I contacted Mr. Welch at his residence after several days of failed attempts to meet him. I informed Mr. Welch that I was recording him and he turned on his cell phone to record me. I informed him that I cited and released him for **Prohibited Conduct: Removal of Archeological Object without a Permit**. I gave Mr. Welch the citation while explaining what I charged and his court date in which I informed him he must appear or a warrant may be issued. Mr. Welch stated in substance that he believes the knife is an arrowhead because it is chipped stone. I stated my interpretation of an arrowhead, since not defined in statute, is an object that creates the head of an arrow. I also informed Mr. Welch that the law as the State Historic Preservation Office informed me is for incidental collection of an arrowhead, not the systematic searching for arrowheads. I then left Mr. Welch's residence. Upon review of both sets of video footage I determined my voice recorder did not work properly and no external microphone audio is heard.

ORS 358.915 states ORS 358.920 does not apply to a person who unintentionally discovers an archaeological object that has been exposed by the forces of nature on public land or private property and retains the object for personal use, except for sacred objects, human remains, funerary objects or objects of cultural patrimony. The knife Mr. Welch found was a sacred object to native people of this state and Mr. Welch was intentionally attempting to locate archaeological objects by conducting systematic search patterns.

#### Related Laws:

**358.905 Definitions for ORS 358.905 to 358.961; interpretation. (1) As used in ORS 192.005, 192.501 to 192.505, 358.905 to 358.961 and 390.235:**

(a) "Archaeological object" means an object that:  
 (A) Is at least 75 years old;  
 (B) Is part of the physical record of an indigenous or other culture found in the state or waters of the state; and

(C) Is material remains of past human life or activity that are of archaeological significance including, but not limited to, monuments, symbols, tools, facilities, technological by-products and dietary by-products.

(b) "Site of archaeological significance" means:

(A) Any archaeological site on, or eligible for inclusion on, the National Register of Historic Places as determined in writing by the State Historic Preservation Officer; or

(B) Any archaeological site that has been determined significant in writing by an Indian tribe.

(c)(A) "Archaeological site" means a geographic locality in Oregon, including but not limited to submerged and submersible lands and the bed of the sea within the state's jurisdiction, that contains archaeological objects and the contextual associations of the archaeological objects with:

(i) Each other; or

(ii) Biotic or geological remains or deposits.

(B) Examples of archaeological sites described in subparagraph (A) of this paragraph include but are not limited to shipwrecks, lithic quarries, house pit villages, camps, burials, lithic scatters, homesteads and townsites.

(d) "Indian tribe" has the meaning given that term in ORS 97.740.

(e) "Burial" means any natural or prepared physical location whether originally below, on or above the surface of the earth, into which, as a part of a death rite or death ceremony of a culture, human remains were deposited.

(f) "Funerary objects" means any artifacts or objects that, as part of a death rite or ceremony of a culture, are reasonably believed to have been placed with individual human remains either at the time of death or later.

(g) "Human remains" means the physical remains of a human body, including, but not limited to, bones, teeth, hair, ashes or mummified or otherwise preserved soft tissues of an individual.

(h) "Object of cultural patrimony":

(A) Means an object having ongoing historical, traditional or cultural importance central to the native Indian group or culture itself, rather than property owned by an individual native Indian, and which, therefore, cannot be alienated, appropriated or conveyed by an individual regardless of whether or not the individual is a member of the Indian tribe. The object shall have been considered inalienable by the native Indian group at the time the object was separated from such group.

(B) Does not mean unassociated arrowheads, baskets or stone tools or portions of arrowheads, baskets or stone tools.

(i) "Police officer" has the meaning given that term in ORS 181.610.

(j) "Public lands" means any lands owned by the State of Oregon, a city, county, district or municipal or public corporation in Oregon.

(k) "Sacred object" means an archaeological object or other object that:

(A) Is demonstrably revered by any ethnic group, religious group or Indian tribe as holy;

(B) Is used in connection with the religious or spiritual service or worship of a deity or spirit power; or

(C) Was or is needed by traditional native Indian religious leaders for the practice of traditional native Indian religion.

(L) "State police" has the meaning given that term in ORS 181.010.

(2) The terms set forth in subsection (1)(e), (f), (g), (h) and (k) of this section shall be interpreted in the same manner as similar terms interpreted pursuant to 25 U.S.C. 3001 et seq. [1983 c.620 §1; 1993 c.459 §1; 1995 c.588 §1]

**358.910 Policy.** The Legislative Assembly hereby declares that:

(1) Archaeological sites are acknowledged to be a finite, irreplaceable and nonrenewable cultural resource, and are an intrinsic part of the cultural heritage of the people of Oregon. As such, archaeological sites and their contents located on public land are under the stewardship of the people of Oregon to be protected and managed in perpetuity by the state as a public trust.

(2) The State of Oregon shall preserve and protect the cultural heritage of this state embodied in objects and sites that are of archaeological significance. [1983 c.620 §2; 1993 c.459 §2]

**358.915 Application.** The provisions of ORS 192.005, 192.501 to 192.505, 273.990, 358.905 to 358.961 and 390.235 do not apply to a person who unintentionally discovers an archaeological object that has been exposed by the forces of nature on public land or private property and retains the object for personal use, except for sacred objects, human remains, funerary objects or objects of cultural patrimony. [1983 c.620 §15; 1993 c.459 §3]

**358.920 Prohibited conduct; exception; penalty.** (1)(a) A person may not excavate, injure, destroy or alter an archaeological site or object or remove an archaeological object located on public or private lands in Oregon unless that activity is authorized by a permit issued under ORS 390.235.

(b) Collection of an arrowhead from the surface of public or private land is permitted if collection can be accomplished without the use of any tool.

(c) It is prima facie evidence of a violation of this section if:

(A) A person possesses the objects described in paragraph (a) of this subsection;

(B) A person possesses any tool that could be used to remove such objects from the ground; and

(C) A person does not possess a permit required under ORS 390.235.

(2) A person may not sell, purchase, trade, barter or exchange or offer to sell, purchase, trade, barter or exchange any archaeological object that has been removed from an archaeological site on public land or obtained from private land within the State of Oregon without the written permission of the landowner.

(3)(a) A person may not sell, trade, barter or exchange or offer to sell, trade, barter or exchange any archaeological object unless the person furnishes the purchaser a certificate of origin to accompany the object that is being sold or offered. The certificate shall include:

(A) For objects obtained from public land:

(i) A statement that the object was originally acquired before October 15, 1983.

(ii) The location from which the object was obtained and a brief cumulative description of how the

object had come into the possession of the current owner in accordance with the provisions of ORS 358.905 to 358.961 and 390.235.

(iii) A statement that the object is not human remains, a funerary object, sacred object or object of cultural patrimony.

(B) For objects obtained from private land:

(i) A statement that the object is not human remains, a funerary object, sacred object or object of cultural patrimony.

(ii) A copy of the written permission of the landowner to acquire the object.

(b) As used in this subsection, "certificate of origin" means a signed and notarized statement that meets the requirements of paragraph (a) of this subsection.

(4)(a) If the archaeological object was acquired after October 15, 1983, from public lands, any object not described in paragraph (b) of this subsection is under the stewardship of the state and shall be delivered to the Oregon State Museum of Anthropology. The museum shall work with the appropriate Indian tribe and other interested parties to develop appropriate curatorial facilities for artifacts and other material records, photographs and documents relating to the cultural or historic properties in this state. Generally, artifacts shall be curated as close to the community of their origin as their proper care allows. If it is not feasible to curate artifacts within this state, the museum may after consultation with the appropriate Indian tribe or tribes enter into agreements with organizations outside this state to provide curatorial services; and

(b) If the object is human remains, a funerary object, a sacred object or an object of cultural patrimony, it shall be dealt with according to ORS 97.740, 97.745 and 97.750.

(5) A person may not excavate an archaeological site on privately owned property unless that person has the property owner's written permission.

(6) If human remains are encountered during excavations of an archaeological site on privately owned property, the person shall stop all excavations and report the find to the landowner, the state police, the State Historic Preservation Officer and the Commission on Indian Services. All funerary objects relating to the burial shall be delivered as required by ORS 358.940.

(7) This section does not apply to a person who disturbs an Indian cairn or burial. Any person who disturbs an Indian cairn or burial for any reason shall comply with the provisions of ORS 97.740 to 97.760.

(8) Violation of the provisions of this section is a Class B misdemeanor. [1983 c.620 §3; 1993 c.459 §4; 1995 c.543 §4; 1997 c.249 §115]

**358.924 Objects held unlawfully considered contraband; seizure; procedure; disposition of seized objects.** (1) Archaeological objects, funerary objects, human remains, sacred objects and objects of cultural patrimony that are held in violation of the provisions of ORS 358.920 or 390.235 are contraband. A police officer shall seize all items declared to be contraband under the provisions of this section if the police officer has reasonable cause to believe the items are held in violation of the provisions of ORS 358.920 or 390.235.

(2) A law enforcement agency employing a police officer who seizes contraband items under this section shall give notice of the seizure to the district attorney for the county in which the items are seized. The district attorney shall promptly investigate to determine whether any person claims the items seized.

(3) If any person claims items seized under this section, the district attorney shall file a petition with the circuit court for the county for an expedited hearing on the claim. The court shall conduct a hearing for the sole purposes of determining:

(a) Whether the items are archaeological objects, funerary objects, human remains, sacred objects or objects of cultural patrimony;

(b) Whether any arrowheads seized under this section were collected in compliance with ORS 358.920 (1)(b); and

(c) Whether a person claiming an item other than an arrowhead can lawfully possess the item under ORS 358.905 to 358.961.

(4) If items seized under this section are not claimed by any person, or the circuit court determines that the items may not be returned to the claimant under the provisions of subsection (3) of this section:

(a) Archaeological objects shall be delivered to the Oregon State Museum of Anthropology and curated as described in ORS 358.920 (4)(a).

(b) Funerary objects, human remains, sacred objects and objects of cultural patrimony shall be returned to the appropriate tribe for reinterment or other disposition as provided in ORS 358.940. [2001 c.739 §2]

**Arrest report:**

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**Subject:** WELCH, DERALD / Arrested; Charged; Citation issued to / DOB: 06/13/1966 (48) Gender: Male  
(1210 S 10TH St., LAKEVIEW, LAKE - 19 OR USA 97630 (Hunt unit: 70BEATYSBUTTE, Beat: LKO,  
Region: SWR) (Cell phone) (541) 219-0953 ) DL:OR:3923130

**Author:** #50865 TAGUE, R.

**Report time:** 05/22/2014 10:43

**Entered by:** #50865 TAGUE, R.

**Entered time:** - 05/22/2014 10:43

**Charges:** SP14143342 358,920 Adult Remove Archaeological Object without Permit - B Misd 05/22/2014  
Pending





FILE



# Oregon State Police

**Incident: SP14282567**

SP14-282567

**Incident details:**

**Incident Type:** Field Interview  
**Incident time:** 09/03/2014 11:45 - 09/03/2014 13:15  
**Reported time:** 09/03/2014 12:36  
**Incident location:** ADEL, Lake OR (CRUMP LAKE) (Beat: LKO, Region: SWR)  
**Incident status:** Referred to DA for consideration  
**Summary:** Trooper Tague observed a subject gridding Crump Lake. Trooper Tague made contact with the subject who had 4 archeological items. Subject gave up his archeological items and a report was submitted to Lake County DA for review.

**Involved Persons:**

**Name:** RAJNUS, TY **Gender:** Male  
**Classification:** Suspect **DOB:** 05/28/1997  
**DL:** 3697248 OR  
**Address:** 20570 PAYGR ST, MALIN, KLAMATH OR USA 97632  
(Beat: LKO, Region: SWR) 97632

**Name:** CANNON, WILLIAM **Gender:** Male  
**Classification:** Other agency **DOB:**  
**DL:**  
**Address:**  
**Telephone:** (Landline) (541) 947-6111

**Involved Property:**

- P14019229 / Other: Other / Evidence
- P14019230 / Other: Other / Evidence

**Involved Officers:**

- Reporting Officer/Case Lead / TAGUE, R. / #50865 / OSP / Officer / KLAMATH FALLS AC F&W
- Dispatcher/TC2 / DALTON, T. / #51524 / OSP / Non sworn / DISPATCH

**Reports:****General report:**

Author: #50865 TAGUE, R.

Report time: 09/26/2014 18:08

Entered by: #50865 TAGUE, R.

Entered time: 09/26/2014 18:08

Narrative:

Distribution: Lake County District AttorneyAction Taken:

On September 3, 2014, I was on duty in full uniform operating a marked patrol unit on the west edge of Crump Lake. I was informed by Sergeant Hand and Lieutenant Gifford that they observed a subject walking in the middle of the dry lake bed of Crump Lake. I went out to the lake and went out towards the subject. I observed the subject walking on the lake consistent with someone looking for artifacts. The subject was focused on the ground walking back and forth in a grid like pattern. No tools or vehicles were observed. I went to make contact with the subject who was on the back side of what is known as "Bird Island".

I observed the subject sitting on a rock and exited my patrol vehicle to make contact. I turned on my BodyCam and informed the subject I was recording. I introduced myself and asked the subject if he found anything. He stated he found four (4) arrowheads. I asked if I could see them and he consented while pulling them out of his pack. I could see two large dart points in a clear plastic bag with another two smaller points in another bag. I asked if he got these today in which he stated he had. He stated he took pictures of them before removing them. He showed me the pictures on his camera and it appeared all the artifacts had been uncovered and on top of the soil. I asked the subject for identification and he provided me with an Oregon Driver's License identifying him as Ty Rajnus. ORS 358.920 allows for the collection of an **arrowhead from the surface**. I informed Mr. Rajnus that it appears he is in violation. I informed him I was going to submit a report the Lake County District Attorney. I seized the four artifacts as evidence. I gave Mr. Rajnus a property receipt for the artifacts and returned to my vehicle.

On September 8, 2014, I went to the Lakeview Bureau of Land Management District Office and talked to the head archeologist, Bill Cannon. I asked Mr. Cannon to identify the four artifacts that Mr. Rajnus had found. Mr. Cannon identified the two larger points as Atlatl Dart Elko Series points from about 8000-4500 years ago. Mr. Cannon stated that it is too heavy and too old to have been used for an arrowhead. Mr. Cannon then stated the small flat point was most likely a Rose Spring Corner Notch Arrowhead that was from the last 2500 years. He stated it was an arrowhead. The last point was most likely a Humboldt Concave point. Mr. Cannon stated it was most likely was a dart point, but it was small enough to be an arrowhead. I left the office and put the artifacts into evidence at the office.

Status:

Request District Attorney Review for Charges

Laws:

## ORS 358.920-Prohibited Conduct

1.(a) A person may not excavate, injure, destroy or alter an archaeological site or object or remove an archaeological object located on public or private lands in Oregon unless that activity is authorized by a permit issued under ORS 390.235 (Permits and conditions for excavation or removal of archaeological or historical material).

(b) Collection of an arrowhead from the surface of public or private land is permitted if collection can be accomplished without the use of any tool.

(c) It is prima facie evidence of a violation of this section if:

(A) A person possesses the objects described in paragraph (a) of this subsection;

(B) A person possesses any tool that could be used to remove such objects from the ground; and

(C) A person does not possess a permit required under ORS 390.235 (Permits and conditions for excavation or removal of archaeological or historical material).

(2) A person may not sell, purchase, trade, barter or exchange or offer to sell, purchase, trade, barter or exchange any archaeological object that has been removed from an archaeological site on public land or obtained from private land within the State of Oregon without the written permission of the landowner.

(3)(a) A person may not sell, trade, barter or exchange or offer to sell, trade, barter or exchange any archaeological object unless the person furnishes the purchaser a certificate of origin to accompany the object that is being sold or offered. The certificate shall include:

(A) For objects obtained from public land:

(i) A statement that the object was originally acquired before October 15, 1983.

(ii) The location from which the object was obtained and a brief cumulative description of how the object had come into the possession of the current owner in accordance with the provisions of ORS 358.905 (Definitions for ORS 358.905 to 358.961) to 358.961 (Time limitations on actions or proceedings) and 390.235 (Permits and conditions for excavation or removal of archaeological or historical material).

(iii) A statement that the object is not human remains, a funerary object, sacred object or object of cultural patrimony.

(B) For objects obtained from private land:

(i) A statement that the object is not human remains, a funerary object, sacred object or object of cultural patrimony.

(ii) A copy of the written permission of the landowner to acquire the object.

(b) As used in this subsection, certificate of origin means a signed and notarized statement that meets the requirements of paragraph (a) of this subsection.

(4)(a) If the archaeological object was acquired after October 15, 1983, from public lands, any object not described in paragraph (b) of this subsection is under the stewardship of the state and shall be delivered to the Oregon State Museum of Anthropology. The museum shall work with the appropriate Indian tribe and other interested parties to develop appropriate curatorial facilities for artifacts and other material records, photographs and documents relating to the cultural or historic properties in this state. Generally, artifacts shall be curated as close to the community of their origin as their proper care allows. If it is not feasible to curate artifacts within this state, the museum may after consultation with the appropriate Indian tribe or tribes enter into agreements with organizations outside this state to provide curatorial services; and

(b) If the object is human remains, a funerary object, a sacred object or an object of cultural patrimony, it shall be dealt with according to ORS 97.740 (Definitions for ORS 97.740 to 97.760), 97.745 (Prohibited acts) and 97.750 (Permitted acts).

(5) A person may not excavate an archaeological site on privately owned property unless that person has the property owners written permission.

(6) If human remains are encountered during excavations of an archaeological site on privately owned property, the person shall stop all excavations and report the find to the landowner, the state police, the State Historic Preservation Officer and the Commission on Indian Services. All funerary objects relating to the burial shall be delivered as required by ORS 358.940 (Reinterment required).

(7) This section does not apply to a person who disturbs an Indian cairn or burial. Any person who disturbs an Indian cairn or burial for any reason shall comply with the provisions of ORS 97.740 (Definitions for ORS 97.740 to 97.760) to 97.760 (Civil action by Indian tribe or member).

(8) Violation of the provisions of this section is a Class B misdemeanor.

#### Arrest report:

Subject:	RAJNUS, TY / Suspect / DOB: 05/28/1997 (17) Gender: Male (20570 PAYGR ST, MALIN, KLAMATH OR USA 97632 (Beat: LKO, Region: SWR) ) DL:OR:3697248		
Author:	#50865 TAGUE, R.	Report time:	09/08/2014 12:31
Entered by:	#50865 TAGUE, R.	Entered time:	09/08/2014 12:31
Charges:	SP14282567 358.920 Adult Remove Archaeological Object without Permit - B Misd Referred to DA for consideration		

SP14282567 164.045 Adult Theft II Referred to DA for consideration





*File**SP14-255308*

# Oregon State Police

**Incident: SP14255308****Incident details:**

**Incident Type:** Citation - Crime  
**Incident time:** 06/21/2014 08:00 - 06/21/2014 17:00  
**Reported time:** 08/13/2014 16:15  
**Incident location:** PLUSH, Lake (HART LAKE) (Hunt unit: 70BEATYS BUTTE, Beat: LKO, Region: SWR)  
**Incident status:** Cleared by Citation  
**Summary:** Trooper Tague was notified by a US Fish and Wildlife Officer of a suspect digging for archeological items near Hart Lake. Trooper Tague conducted follow up and cited and released the suspect for Attempted Prohibited Conduct-Removal of Archeological Objects without Permit.

**Involved Persons:**

**Name:** COX, BILLY JAMES **Gender:** Male  
**Classification:** Arrested; Citation issued to **DOB:** 12/05/1948  
**DL:** 1192876 OR  
**Address:** 15808 140 HWY E, KLAMATH FALLS, KLAMATH OR  
USA 97603 97603  
**Telephone:** (Cell phone) (541) 281-5923

**Name:** FAVELL, GENE **Gender:** Male  
**Classification:** Mentioned **DOB:**  
**DL:**  
**Address:**

**Name:** MEGAN, JOHN **Gender:** Male  
**Classification:** Police Officer - outside agency **DOB:**  
**DL:**  
**Address:**  
**Telephone:** (Cell phone) (541) 589-0546

**Involved Officers:**

- Reporting Officer/Case Lead / TAGUE, R. / #50865 / OSP / Officer / KLAMATH FALLS AC F&W
- Dispatcher/TC2 / OLSON, J. / #29432 / OSP / Non sworn / DISPATCH

**Reports:**

**General report:****Author:** #50865 TAGUE, R.**Report time:** 08/15/2014 13:11**Entered by:** #50865 TAGUE, R.**Entered time:** 08/15/2014 13:11**Narrative:****Distribution:**

GHQ, Lake County DA

**Action Taken:**

On June 24, 2014, I was informed by Fish and Wildlife Officer John Megan of a subject he observed digging for archeological artifacts at Hart Lake, which is located entirely in Lake County, Oregon. A few days later I received a report and a video of the encounter.

On July 19, 2014, I attempted to contact the suspect at his house in Klamath Falls. The subject was not there and I gave a card to the suspect's brother.

On August 13, 2014, I called the subject back and asked to meet up in Klamath Falls. The subject agreed to meet at a trailhead for OC&E Trail off Crosby St. I was in uniform displaying a badge operating my assigned marked patrol unit. At approximately 3:45 P.M., the subject walked to the location after having difficulty finding the road into the trailhead. I identified him as Billy Cox, informed him I was recording, and started my body cam. I informed Mr. Cox that I was here to get his story. Refer to Officer Megan's report for his observations.

Mr. Cox stated in substance that he did not find any artifacts out there and was just taking his grandkids on a summer trip. He stated he did not find even a "broken arrowhead" and is not an archeologist. He stated he was unaware of it being illegal and that he was told by Gene Favell, in about 1994, that he use to go out there to dig and get about 200-300 pieces. Mr. Cox stated he was not aware of the laws but figured after being contacted by Officer Megan that he violated a law. He stated he has never dug for artifacts before.

I cited and released Mr. Cox for Attempted Prohibited Conduct-Remove Archeological Object without a Permit. ORS 358.920 indicates that it is prima facie evidence of violation if person (a) A person possesses the objects described in paragraph (a) of this subsection; (B) A person possesses any tool that could be used to remove such objects from the ground; and (C) A person does not possess a permit required under ORS 390.235. Mr. Cox made a substantial step to commit the crime however he did not possess any archeological objects; therefore I request the citation be changed to Attempted Prohibited Conduct.

**Laws**

**358.920 Prohibited conduct; exception; penalty.** (1)(a) A person may not excavate, injure, destroy or alter an archaeological site or object or remove an archaeological object located on public or private lands in Oregon unless that activity is authorized by a permit issued under ORS 390.235.

(b) Collection of an arrowhead from the surface of public or private land is permitted if collection can be accomplished without the use of any tool.

(c) It is prima facie evidence of a violation of this section if:

(A) A person possesses the objects described in paragraph (a) of this subsection;

(B) A person possesses any tool that could be used to remove such objects from the ground; and

(C) A person does not possess a permit required under ORS 390.235.

(2) A person may not sell, purchase, trade, barter or exchange or offer to sell, purchase, trade, barter or exchange any archaeological object that has been removed from an archaeological site on public land or obtained from private land within the State of Oregon without the written permission of the landowner.

(3)(a) A person may not sell, trade, barter or exchange or offer to sell, trade, barter or exchange any archaeological object unless the person furnishes the purchaser a certificate of origin to accompany the object that is being sold or offered. The certificate shall include:

(A) For objects obtained from public land:

(i) A statement that the object was originally acquired before October 15, 1983.

(ii) The location from which the object was obtained and a brief cumulative description of how the object had come into the possession of the current owner in accordance with the provisions of ORS 358.905 to 358.961 and 390.235.

(iii) A statement that the object is not human remains, a funerary object, sacred object or object of cultural patrimony.

(B) For objects obtained from private land:

(i) A statement that the object is not human remains, a funerary object, sacred object or object of cultural patrimony.

(ii) A copy of the written permission of the landowner to acquire the object.

(b) As used in this subsection, "certificate of origin" means a signed and notarized statement that meets the requirements of paragraph (a) of this subsection.

(4)(a) If the archaeological object was acquired after October 15, 1983, from public lands, any object not described in paragraph (b) of this subsection is under the stewardship of the state and shall be delivered to the Oregon State Museum of Anthropology. The museum shall work with the appropriate Indian tribe and other interested parties to develop appropriate curatorial facilities for artifacts and other material records, photographs and documents relating to the cultural or historic properties in this state. Generally, artifacts shall be curated as close to the community of their origin as their proper care allows. If it is not feasible to curate artifacts within this state, the museum may after consultation with the appropriate Indian tribe or tribes enter into agreements with organizations outside this state to provide curatorial services; and

(b) If the object is human remains, a funerary object, a sacred object or an object of cultural patrimony, it shall be dealt with according to ORS 97.740, 97.745 and 97.750.

(5) A person may not excavate an archaeological site on privately owned property unless that person has the property owner's written permission.

(6) If human remains are encountered during excavations of an archaeological site on privately owned property, the person shall stop all excavations and report the find to the landowner, the state police, the State Historic Preservation Officer and the Commission on Indian Services. All funerary objects relating to the burial shall be delivered as required by ORS 358.940.

(7) This section does not apply to a person who disturbs an Indian cairn or burial. Any person who disturbs an Indian cairn or burial for any reason shall comply with the provisions of ORS 97.740 to 97.760.

(8) Violation of the provisions of this section is a Class B misdemeanor.

### Arrest report:

**Subject:** COX, BILLY JAMES / Arrested; Citation Issued to / DOB: 12/05/1948 (65) Gender: Male (15808 140 HWY E, KLAMATH FALLS, KLAMATH OR USA 97603 ) DL:OR:1192876

**Author:** #50865 TAGUE, R.

**Report time:** 08/14/2014 12:48

**Entered by:** #50865 TAGUE, R.

**Entered time:** 08/14/2014 12:48

**Charges:** SP14255308 358.920 Adult Remove Archaeological Object without Permit - B Misd 08/13/2014 Pending

## U.S. FISH AND WILDLIFE SERVICE



## INCIDENT REPORT

Reviewed and Approved By:				
Station: HART MTN NATL ANTELOPE RFG		Classification of Incident: INTELLIGENCE		Incident Number: 43815
Location of Incident: Dry lake bed of Hart Lake west of Hart Lk rd.		Date of Incident: 06/21/2014		Time Incident Occurred: 11:15
Reported To FWS By:	Address:	Phone: (H) (W) (M)		How Reported:
Received By:	When Received:	Federal Officer: Megan, John		Badge#: 5004
Suspect: Billy Cox	Address: 15808 Hwy 140 E Klamath Falls OR 97603	Phone: (H) (W) (M)	DOB: 12/05/1948	Involvement: Suspect
<b>Details of Incident/Remarks:</b> <p>While on patrol I came to the cattle guard on the Hart Lk rd just south of the Plush Rd. As I was crossing the cattle guard I observed 2 adults with 2 children and 3 dogs off leash on the dried lake bed of Hart Lk. They were approximately 150 yards SW of the cattle guard and approximately 50 yards from the historic shore line. I could see a pickup truck with a slide in camper parked at one of the pullout's off the Hart Lake Rd. Utilizing my unmarked patrol vehicle I was able to take a position in plain sight of the individuals as I observed the adult male using a shovel to dig a hole (identified later as GPS pt H114). The female adult and children were standing around observing the male. Once the male finished digging the hole he pushed the removed dirt around with the shovel. Apparently not finding anything of interest he turned and started walking back to the vehicle. The male child dug through the removed dirt momentarily and then the 2 children and female adult followed the male to the vehicle. I was unsure of the ownership status of the lake bed and there is no radio or cell service in that area. Unsure of the jurisdiction of the area I contacted the group as they reached their vehicle to make a field contact. During my conversation with the adult male, later identified as Billy James Cox by running the vehicle plate through dispatch, he told me about how someone he knew had dug for artifacts the last time the lake had dried down and had found 300-400 artifacts a day. He had never seen the lake dry so decided he wanted to find some artifacts. Again unsure who owned the actual lake bed I cautioned the group about the legality of collecting artifacts. I informed them it was illegal to search for or remove artifacts on a National Wildlife Refuge. I also informed them there were specific regulations pertaining to collecting on any other federal lands, state lands as well as private. Cox stated something to the effect then this isn't worth staying and instructed the rest of the group to enter the vehicle. I broke off contact at that point and continued south on the Hart Lake Rd. When I returned through the area the vehicle had exited the area. I walked towards the hole I had seen Cox digging and found three (3) other holes in the same general area that were freshly dug. It is my belief due to the freshly turned over dirt and associated shoe prints in the area that Cox had dug these holes as well. A total of four holes were found. GPS and photos are attached. When I was able to travel to an area with cell coverage I contacted the area BLM Ranger Pat Apley to verify ownership of the lake bed. He indicated that the lake bed was the property of the State of Oregon. He</p>				



While on patrol I came to the cattle guard on the Hart Lk rd just south of the Plush Rd. As I was crossing the cattle guard I observed 2 adults with 2 children and 3 dogs off leash on the dried lake bed of Hart Lk. They were approximately 150 yards SW of the cattle guard and approximately 50 yards from the historic shore line. I could see a pickup truck with a slide in camper parked at one of the pullout's off the Hart Lake Rd.

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When I was able to travel to an area with cell coverage I contacted the area BLM Ranger Pat Apley to verify ownership of the lake bed. He indicated that the lake bed was the property of the State of Oregon. He offered to contact the appropriate state officer for me. I will be supplying Ranger Apley with all documents associated with this incident. All information will be turned over to the appropriate Oregon State Police (OSP) representative for consideration of charges.

Suspect information in the case report.

//End Report//

offered to contact the appropriate state officer for me. I will be supplying Ranger Apley with all documents associated with this incident. All information will be turned over to the appropriate Oregon State Police (OSP) representative for consideration of charges. Suspect information in the case report. //End Report//

VNs Issued
------------

Warnings Issued
-----------------

Arrests Executed
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Offenses:

Classification	Referred To	Organization	Jurisdiction
INTELLIGENCE -			



**Flanagan Patrick A**

---

**From:** Hand, Randall <randall.hand@state.or.us>  
**Sent:** Thursday, December 04, 2014 11:32 AM  
**To:** FLANAGAN Patrick A  
**Subject:** FW: alternate OAR Version 2

Patrick,

This is an OAR that I have suggested as an alternative to the closure. It needs some fine tuning but the nuts and bolts are there.

In my conversations with Lanny Quackenbush (DSL), he seems supportive.

I think the emergency closure was a little too far down the road to consider an alternative at such a late date. Since the closure has a "sunset" so to speak, perhaps it can be discussed further before any permanent closures come in to play.

Alternatively, perhaps it could be discussed with Senator Whitsett as an alternative to a closure. Maybe it could be a win-win for some of these guys. Closure gets lifted but law gets tightened up by Administrative rule.

Randy

---

**From:** Hand, Randall  
**Sent:** Wednesday, November 05, 2014 1:11 PM  
**To:** QUACKENBUSH Lanny R; Gifford, David  
**Subject:** alternate OAR Version 2

Lanny,  
 This is the second version that I have created. Still not perfect but closer to a working copy.

**Prohibited Conduct:**

Recognizing that archaeological resources are not renewable, and that collection of any artifact or disturbance to an archaeological site may lead to irreparable harm to the historical record; no person shall take, possess, remove, deface, or destroy any archaeological object, as defined in ORS 358.905, from any property owned or managed by the Division of State owned Lands. Archaeological objects include but are not limited to arrowheads, projectile points, knives, stone tools, beads, bottles, etc. This administrative rule does not preclude prosecution for acts listed under ORS 358.920. Violation of this administrative rule is a Class A Violation.

Again, I would also have administrative law that covers other resources as well.

No person shall take or possess to remove firewood, rocks, gems, minerals, soils, plant material, or other natural resources from Division of State Lands property except by written permit.

I did some checking with Oregon Department of Fish and Wildlife.

This is what Oregon Department of Fish and Wildlife has for the Summer Lake Wildlife Area:

(11) A special permit is required to remove firewood, cut trees, dig or remove artifacts or archaeological specimens, minerals, sand, gravel, rock, or any other article, product or material found on the area except fish and wildlife taken as permitted by law.

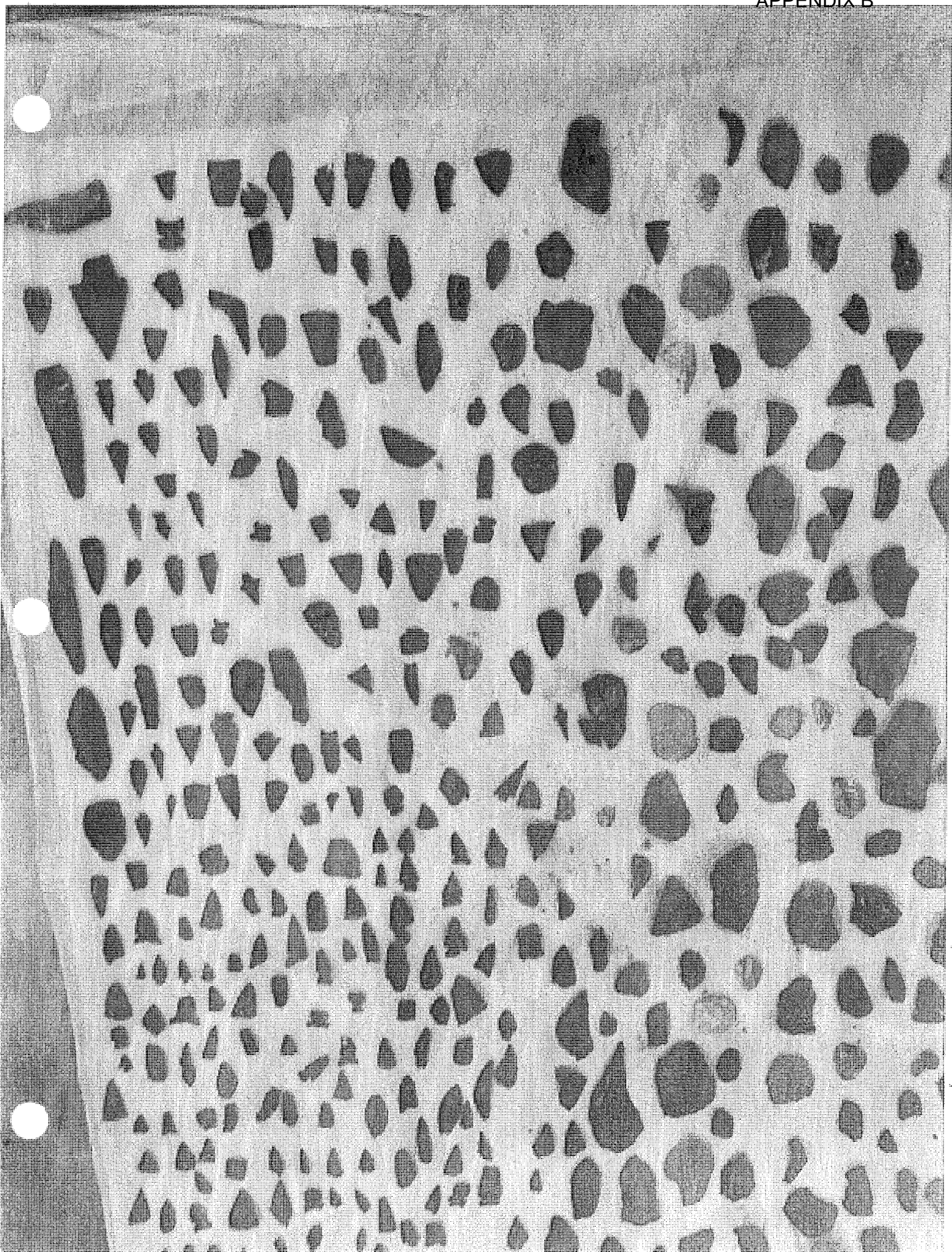
Again, all this needs to be vetted through the process. I hope this helps.

Randy

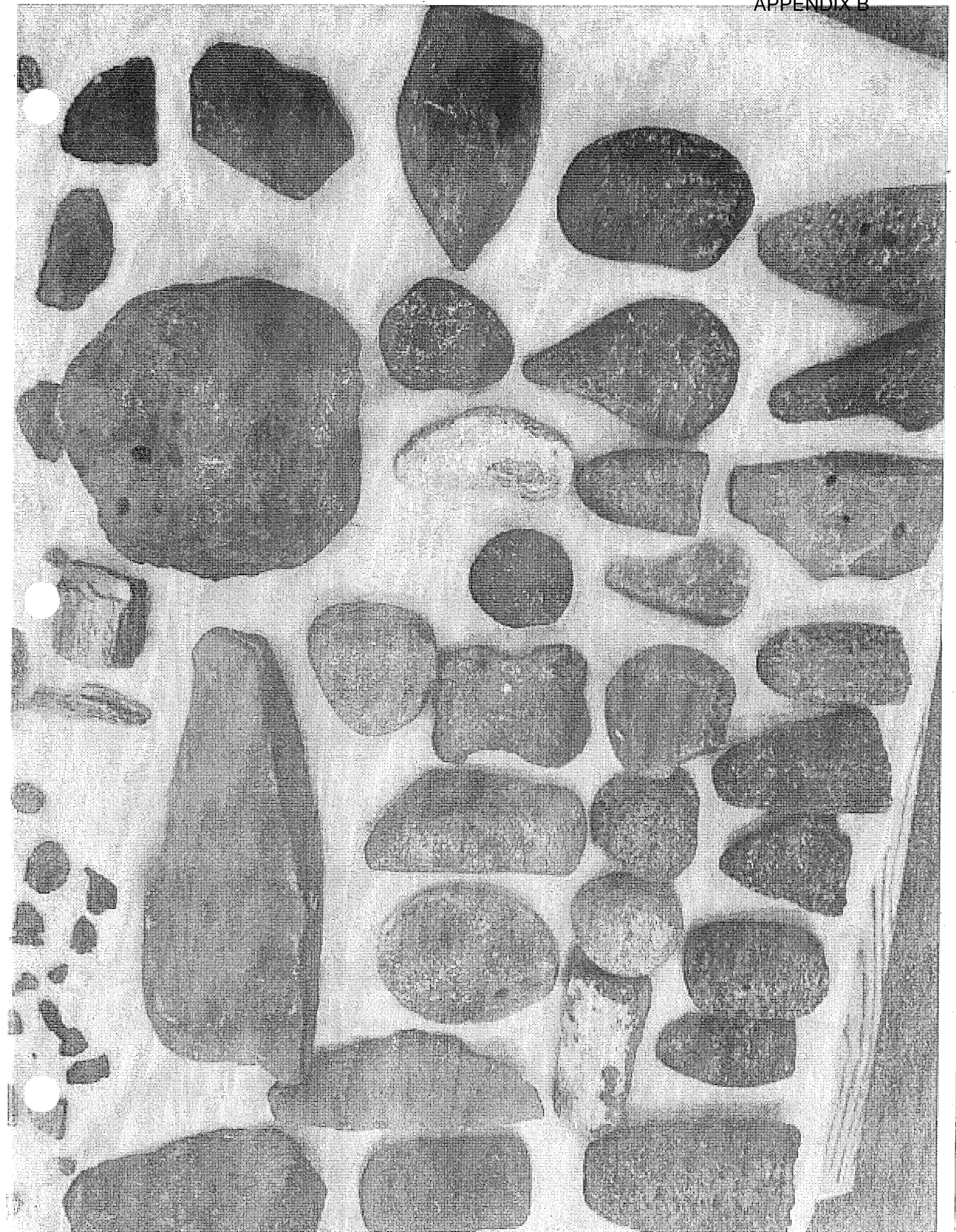














# Oregon

Tina Kotek, Governor

## Department of State Lands

775 Summer Street NE, Suite 100

Salem, OR 97301-1279

(503) 986-5200

FAX (503) 378-4844

[www.oregon.gov/dsl](http://www.oregon.gov/dsl)

## State Land Board

## M E M O R A N D U M

Tina Kotek

Governor

Shemia Fagan

Secretary of State

Tobias Read

State Treasurer

Date February 7, 2023

To: Governor Tina Kotek  
Secretary of State Shemia Fagan  
State Treasurer Tobias Read

From: Vicki L. Walker  
Director

Subject: Common School Fund Audit Report

The Department's auditors, Eide Bailly, will be presenting on the 2022 governance letter and 2022 financial statements attached in the appendix. The key items that will be addressed are as follows:

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

## **APPENDICES**

Appendix A – Common Fund 2022 Governance Letter

Appendix B – Common Fund 2022 Final Financial Statements

November 9, 2022

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

We have audited the financial statements of the Common School Fund of the State of Oregon as of and for the year ended June 30, 2022, and have issued our report thereon dated November 9, 2022. Professional standards require that we advise you of the following matters relating to our audit.

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

As communicated in our letter dated July 7, 2022, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

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

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

We have provided our comments regarding internal controls during our audit in our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated November 9, 2022.

**Planned Scope and Timing of the Audit**

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

## **Compliance with All Ethics Requirements Regarding Independence**

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

## **Significant Risks Identified**

As stated in our auditor's report, professional standards require us to design our audit to provide reasonable assurance that the financial statements are free of material misstatement whether caused by fraud or error. In designing our audit procedures, professional standards require us to evaluate the financial statements and assess the risk that a material misstatement could occur. Areas that are potentially more susceptible to misstatements, and thereby require special audit considerations, are designated as "significant risks". We have identified the following as significant risks.

- **Management Override of Controls** – Professional standards require auditors to address the possibility of management overriding controls. Accordingly, we identified as a significant risk that management of the organization may have the ability to override controls that the organization has implemented. Management may override the organization's controls in order to modify the financial records with the intent of manipulating the financial statements to overstate the organization's financial performance or with the intent of concealing fraudulent transactions.
- **Investments and investment -related activities.** - The fair value of investments could be misstated if the valuation is not completed correctly.
- **Nonexchange revenues and receivables** - Generally Accepted Auditing Standards require a presumed risk of improper revenue recognition, unless otherwise noted.
- **Accounts payable** – The Unclaimed property deposit liability estimation could be incorrect based management's assumptions.

## **Qualitative Aspects of the Entity's Significant Accounting Practices**

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Funds is included in Note 2 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2022. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Significant Accounting Estimates*

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



The most sensitive accounting estimates affecting the financial statements are:

Management's estimate of the unclaimed property deposit liability that will be distributed is based on the percentage of claims historically paid out overtime. We evaluated the key factors and assumptions used to develop the unclaimed property deposit liability and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Management's estimate of the various investment valuations with non-readily available market prices are based on a cash flow analysis with true up adjustments provided by the fund managers. We evaluated the key factors and assumptions used to develop the investment valuations and determined that it is reasonable in relation to the basic financial statements taken as a whole.

#### *Financial Statement Disclosures*

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

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

The disclosure of deposit liabilities in Note 4c to the financial statements that summarize the estimated liability for unclaimed property for the year ended June 30, 2021.

#### **Significant Difficulties Encountered during the Audit**

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

#### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit. There were no uncorrected or corrected misstatements identified as a result of our audit procedures.

#### **Disagreements with Management**

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

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

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

***Modification of the Auditor's Report***

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

As discussed in Note 1, the financial statements of the Common School Fund are intended to present the financial position, and the changes in financial position, of only the position of the State or Oregon that is attributable to the transactions of the Common School Fund. They do not purport to, and do not, present fairly the financial position of the State of Oregon or Department of State Lands or the Oregon State Treasury as of June 30, 2022, or the changes in their financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Representations Requested from Management**

We have requested certain written representations from management which are included in the management representation letter dated November 9, 2022.

**Management's Consultations with Other Accountants**

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

**Other Significant Matters, Findings, or Issues**

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

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

Very truly yours,

A handwritten signature in black ink that reads "Eric Sully LLP". The signature is written in a cursive, flowing style.

Boise, Idaho

# **Common School Fund**

## **Annual Financial Report**

### **For the Fiscal Year Ended June 30, 2022**

## **Oregon Department of State Lands**

*An Agency of the State of Oregon*



**Vicki L. Walker**  
Director

**Jean Straight**  
Deputy Director, Administration Division

**Report Prepared by:**

Joseph Flager, CPA, Fiscal Manager  
Sangit Shrestha, CPA

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## **FINANCIAL SECTION**

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## Independent Auditor's Report

State Land Board  
Oregon Department of State Lands  
Salem, Oregon

### Report on the Audit of the Financial Statements

#### ***Opinion***

We have audited the financial statements of the Common School fund, major governmental fund of the State of Oregon, which comprise the balance sheet as of June 30, 2022, and the related statement of revenues, expenditures, and changes in fund balances of the Common School fund of the State of Oregon, as of and for the year ended June 30, 2022, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Common School Fund of the State of Oregon as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

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

#### ***Emphasis of Matter***

As discussed in Note 1, the financial statements of the Common School Fund of the State of Oregon are intended to present the financial position and the changes in financial position, of the State of Oregon that is attributable to the transactions of the Common School Fund. They do not purport to, and do not, present fairly the financial position of the State of Oregon, the Department of State Lands, or the Oregon State Treasury as of June 30, 2022, or the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

#### ***Responsibilities of Management for the Financial Statements***

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2022 on our consideration of the Common School Fund of the State of Oregon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Common School Fund of the State of Oregon's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Common School Fund of the State of Oregon's internal control over financial reporting and compliance.



Boise Idaho  
November 9, 2022



## **BASIC FINANCIAL STATEMENTS**

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**Balance Sheet**  
**June 30, 2022**

**ASSETS**

Cash and Cash Equivalents	\$ 83,095,331
Cash and Cash Equivalents, Restricted	940,178
Investments	2,097,026,285
Investments, Restricted	79,161,694
Securities Lending Collateral	9,654,610
Accounts and Interest Receivables (net)	16,752,641
Due from Other Funds	596,403
Advances to Other Funds	300,000
Net Contracts, Notes, and Other Receivables	13,871

<b>Total Assets</b>	<b>\$ 2,287,541,013</b>
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**LIABILITIES AND FUND BALANCES****Liabilities:**

Accounts Payable	\$ 27,628,691
Obligations Under Securities Lending	9,654,610
Due to Other Funds	238,546
Deposit Liabilities	228,525,597

<b>Total Liabilities</b>	<b>266,047,444</b>
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**DEFERRED INFLOWS OF RESOURCES**

Unavailable revenue - contracts	13,871
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<b>Total Deferred Inflows of Resources</b>	<b>13,871</b>
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**Fund Balances:**

Restricted by:	
Oregon Constitution	1,443,771,410
Enabling Legislation	577,708,288
Total Fund Balances	2,021,479,698

<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 2,287,541,013</b>
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The notes to the financial statements are an integral part of this statement.

**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Year Ended June 30, 2022**

**REVENUES**

Licenses and fees	\$ 1,598,690
Federal	613,248
Charges for Services	295,232
Rebates and Recoveries	35,306
Fines, Forfeitures, and Penalties	124,571
Rents and Royalties	5,136,866
Investment Loss	(119,245,243)
Sales	9,764
Unclaimed and Escheat Property Revenue	271,065,955
Other	1,305,973

<b>Total Revenues</b>	<u>160,940,362</u>
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**EXPENDITURES**

Personal Services	11,719,068
Services and Supplies	12,585,051
Intergovernmental	118,964
Capital Improvements	5,230,478
Debt Service:	
Principal	68,534
Interest	27,875
Investment Expenditures	8,211,832

<b>Total Expenditures</b>	<u>37,961,802</u>
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Excess of Revenues Over Expenditures	122,978,560
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**OTHER FINANCING SOURCES (USES)**

Transfers From Other Funds	124,887,393
Transfers to Other Funds	(113,898,908)
Leases Incurred	4,301,421
Insurance Recoveries	2,172,930

<b>Total Other Financing Sources (Uses)</b>	<u>17,462,836</u>
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Net Change in Fund Balances	<u>140,441,396</u>
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Fund Balances - Beginning	<u>1,881,038,302</u>
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<b>Fund Balances - Ending</b>	<u><u>\$ 2,021,479,698</u></u>
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The notes to the financial statements are an integral part of this statement.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Common School Fund have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), and the American Institute of Certified Public Accountants (AICPA).

### ***A – THE REPORTING ENTITY***

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

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

### ***B – FUND FINANCIAL STATEMENTS***

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

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

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

### ***D – DEPOSITS AND INVESTMENTS***

#### **Deposits**

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



### **Investments**

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

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

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

### **Derivatives**

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

### ***E – RECEIVABLES AND PAYABLES***

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

### ***F – INTERFUND TRANSACTIONS***

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

### ***G – RESTRICTED ASSETS***

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

### ***H – FUND EQUITY***

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

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

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

#### ***I – IMPLEMENTATION OF GASB STATEMENT NO. 87***

As of July 1, 2021, the Common School Fund adopted GASB Statement No. 87, Leases. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The standard requires recognition of capital outlay expenditures related to assets acquired under lease agreements and other financing sources for leases incurred that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The effect of the implementation of this standard required additional disclosures and are included in Note 5. The lease liabilities and right to use assets are recorded on the State of Oregon's Annual Comprehensive Financial Report for the year ending June 30, 2022.

## **NOTE 2 – DEPOSITS AND INVESTMENTS**

### Common School Fund Investment Portfolio held at Treasury

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

The Common School Fund's investment policies are governed by statute and the Oregon Investment Council (Council). The Treasurer is the investment officer for the Council and is responsible for the funds on deposit with the Treasury. The Treasurer works with the State Land Board to ensure implementation of the asset allocation policy that meets the business needs of the Common School Fund. The Council does not make asset allocation changes without considering input from the State Land Board. In accordance with Oregon statutes, the investment funds are invested, and the investments of those funds managed, as a prudent investor would do, exercising reasonable care, skill and caution. The Treasurer is authorized to use demand deposit accounts, fixed income investments, and direct equity investment transactions, although the majority of equity investments are directed by external investment managers under contract with the Council. Investments are managed around a 55% equity, 25% fixed income, 10% real estate, and 10% diversifying strategies (alternative) target with a range of plus or minus 5%, as detailed below. The Common School Fund's actual asset allocation is monitored monthly relative to established asset allocation policy targets and ranges. A deviation outside of any of the ranges triggers a review and rebalancing back toward the target asset allocation with due consideration given to the liquidity of the investments and transaction costs. Whenever possible, cash flows into and out of the fund are used to rebalance between asset classes. Cash is held only for business operating purposes.

**Common School Fund**  
**Notes to the Financial Statements**  
**June 30, 2022**

**APPENDIX B**

<b>Asset Class</b>	<b>Benchmark</b>	<b>Target Allocation</b>	<b>Range</b>
Domestic Equities	Russell 3000 Index	22%	20% - 25%
International Equities	MSCI ACWI ex-US Index	23%	20% - 25%
Private Equities	Russell 3000 + 300 bps Index	10%	8% - 12%
	Total Equities	55%	48% - 62%
US Fixed Income	Barclays Aggregate Index	25%	20% - 30%
Real Estate	NCREIF ODCE QTR Lag (Net)	10%	8% - 12%
Alternative	CPI + 4%	10%	8% - 12%
Cash		0%	0% - 3%
	Weighted aggregate of indexes		
Policy Mix	listed above at target allocation	100%	

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

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

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

Common School Fund Investments Held Outside Treasury

Statutes govern the placement of investments of the Common School Fund held outside Treasury as part of trust agreements or mandatory asset holdings by regulatory agencies. The Common School Fund investment portfolio includes \$79.2 million held outside Treasury and is reported as restricted investments on the balance sheet.

**A – DEPOSITS**

Custodial Credit Risk for Deposits

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

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

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

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

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

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

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

As of June 30, 2022, \$940 thousand in other depository balances of the Common School Fund was held by AVENU, not covered by the FDIC rules. However, the firms are members of the Securities Investor Protection Corporation (SIPC) which provides protection up to \$500 thousand, of which \$250 thousand applies to cash credit balances. Consequently, \$250 thousand was insured by SIPC and \$690 thousand was uninsured and held by the counterparty in the Treasury's name.

## ***B – INVESTMENTS***

### **Custodial Credit Risk**

Custodial credit risk for investments of the Common School Fund is the risk that, in the event of the failure of the counterparty to a transaction, the State will not be able to recover the value of an investment or collateral securities in the possession of an outside party. The Council has no formal policy regarding the holding of the securities by a custodian or counter party. For the year ended June 30, 2022, no investment holdings of the Common School Fund held at Treasury were exposed to custodial credit risk.

As of June 30, 2022, the Common School Fund held \$81.6 million in investments outside Treasury. AVENU and other investment firms held investments totaling \$78.7 million. The firms are members of the Securities Investor Protection Corporation (SIPC) which provides protection up to \$500 thousand of which a maximum of \$250 thousand applies to cash credit balances. Investments outside Treasury also included \$2.4 million of real estate property and \$425 thousand of unclaimed collectibles held for auction. All the investment holdings of the Common School Fund held outside Treasury other than the real estate property were registered in the Treasury's name and therefore not exposed to custodial credit risk. The real estate property is registered in the Department's name and therefore not exposed to custodial credit risk.

### **Interest Rate Risk**

Interest rate risk is the risk (variable in value) borne by an interest-bearing asset such as a loan or a bond, due to variability of interest rates. Approximately 26.59% of the Common School Fund's investment portfolio is invested in fixed income securities. Investment policy for fixed income investments of the Common School Fund is to maintain a well-diversified bond portfolio, managed to maximize total return, that reflects the overall characteristics of the Barclays Capital Universal Index Benchmark and to invest opportunistically, using innovative investment approaches within a controlled and defined portfolio allocation.

Credit Risk and Concentration of Credit Risk

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

Interest Rate Sensitive Investments

The Common School Fund held approximately \$79.2 million in debt instruments backed by pooled mortgages, TBAs (to-be-announced federal agency-issued mortgage pools), collateralized mortgage obligations (CMOs), or fixed rate mortgages. These securities represent a stream of principal and interest payments from underlying mortgages and consequently, the value of these securities can be volatile as interest rates fluctuate. Assets with these characteristics may also be susceptible to prepayment by mortgage holders which may result in a decrease in total interest realized. Additionally, the risk of default exits and collateral held may potentially be insufficient to cover the principal due. The Common School Fund also held approximately \$10.3 million of asset-backed securities backed primarily by student loan and manufactured housing loan receivables.



**Common School Fund**  
**Notes to the Financial Statements**  
**June 30, 2022**

**APPENDIX B**

The credit rating of the Common School Fund's investments held at Treasury and using the segmented time distribution method as of June 30, 2022, follows:

Investment Type	Credit Rating <sup>1</sup>	Investment Maturities (in years)				Total Market Value
		Less than 1	1 to 5	6 to 10	More than 10 or none	
U.S. Treasury	Exempt	\$ 1,261,768	\$ 27,655,569	\$ 10,998,601	\$ 24,550,496	\$ 64,466,434
U.S. Treasury TIPS	Exempt	559,785	2,156,913	-	867,913	3,584,611
Federal agency STRIPS	Exempt	15,225	-	-	4,197	19,422
U.S. Federal agency mortgages	Not Rated	17,053,966	131,063	293,652	47,349,161	64,827,842
Total U.S. government debt		18,890,743	29,943,546	11,292,253	72,771,766	132,898,307
Corporate bonds	AAA	-	1,595,969	123,528	103,409	1,822,906
	AA	188,859	1,459,282	560,933	1,061,097	3,270,171
	A	10,526,401	6,560,111	5,593,313	6,136,212	28,816,037
	BBB	10,466,196	13,765,676	17,790,154	16,040,252	58,062,278
	BB	531,528	3,958,800	1,887,011	2,539,519	8,916,858
	B	39,773	27,728	-	-	67,501
Total corporate bonds		21,752,758	27,367,566	25,954,939	25,880,490	100,955,752
Non-U.S. government debt	AAA	3,426,106	-	-	-	3,426,106
	AA	1,099,450	-	-	-	1,099,450
	A	-	895,331	185,446	-	1,080,777
	BBB	-	1,459,125	1,179,444	9,327,984	11,966,553
	BB	398,256	-	-	804,883	1,203,139
	Not Rated	234,569	-	226,308	66,634	527,511
Total non-U.S. government debt		5,158,381	2,354,456	1,591,198	10,199,501	19,303,536
Asset-backed securities	AAA	1,942,632	-	143,049	1,606,039	3,691,720
	AA	940,639	-	-	204,829	1,145,468
	A	1,685,587	-	-	513,742	2,199,329
	BBB	968,990	-	-	372,461	1,341,451
	B	1,119,419	-	-	-	1,119,419
	CCC	23,876	-	-	-	23,876
	CC	173,687	-	-	-	173,687
	Not Rated	216,825	-	-	393,039	609,864
Total asset-backed securities		7,071,655	-	143,049	3,090,110	10,304,813
Collateralized mortgage obligations	AAA	1,607,778	-	-	110,336	1,718,114
	AA	560,071	-	-	-	560,071
	A	1,346,103	-	-	-	1,346,103
	BBB	1,924,631	-	-	-	1,924,631
	CCC	98,673	-	-	-	98,673
	Not Rated	64,127	-	-	-	64,127
Total collateralized mortgage obligations		5,601,383	-	-	110,336	5,711,719

continued on next page

**Common School Fund**  
**Notes to the Financial Statements**  
**June 30, 2022**

**APPENDIX B**

continued from previous page

Investment Type	Credit Rating <sup>1</sup>	Investment Maturities (in years)				Total Market Value
		Less than 1	1 to 5	6 to 10	More than 10 or none	
Collateralized mortgage-backed securities	AAA	3,435,897	-	-	1,594,376	5,030,273
	AA	1,674,029	-	-	976,516	2,650,545
	A	46,678	-	-	-	46,678
	BBB	19,374	-	-	-	19,374
	BB	36,283	-	-	-	36,283
	B	48,963	-	-	-	48,963
	CC	11,413	-	-	-	11,413
	C	242,242	-	-	-	242,242
	Not Rated	586,742	-	-	-	586,742
Total collateralized mortgage-backed securities		6,101,623	-	-	2,570,892	8,672,514
Domestic fixed income funds	Not Rated	-	-	-	279,059,213	279,059,213
Total debt investments		\$ 64,576,542	\$ 59,665,568	\$ 38,981,439	\$ 393,682,307	556,905,855
						317,734,715
Domestic equity securities						45,984,143
International equity securities						159,573,566
Domestic equity funds						465,932,571
International equity funds						204,382,400
Private equity holdings						3,693,484
Domestic real estate investment trusts						212,676,224
Real estate open ended funds						127,728,329
Alternative diversifying strategies						\$2,094,611,286
Total investments held at Treasury						

<sup>1</sup> Investments of \$64,466,434 in U.S. Treasury securities, \$3,584,611 in U.S. Treasury Inflation Protected Securities (TIPS), \$19,422 in Federal Agency STRIPS, and \$9,723,831 in Government National Mortgage Association (GNMA), which are reported within U.S. Federal agency mortgages, are explicitly guaranteed by the U.S. government, and therefore, are exempt from credit risk disclosure requirements.

**Investments Held at Treasury**

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

**Common School Fund**  
**Notes to the Financial Statements**  
**June 30, 2022**

**APPENDIX B**

Investments Held Outside Treasury

The following table shows the credit rating and segmented time distribution for Investments held outside Treasury as of June 30, 2022.

Investment Type	Credit Rating	Investment Maturities (in years)				Total Market Value
		Less than 1	1 to 5	6 to 10	More than 10 years	
U.S. Agency Securities	Exempt	\$ 1,100	\$ -	\$ 36	\$ 110,026	\$ 111,161
U.S. Treasury Strips	Exempt	1,998	971	-	-	2,969
GNMA	Exempt	-	-	312	-	312
Municipal Bonds	Not Rated	-	-	24,996	147,625	172,622
Corporate Bonds	A	-	-	-	15,024	15,024
Corporate Bonds	BB	-	-	26,034	-	26,034
Corporate Bonds	BBB	-	-	-	42,536	42,536
Corporate Bonds	Not Rated	-	-	-	243	243
Debt Investments		<u>\$ 3,098</u>	<u>\$ 971</u>	<u>\$ 51,378</u>	<u>\$ 315,454</u>	370,900
Mutual Funds						28,983,389
Domestic Equity Securities						47,548,399
International Equity Securities						1,796,177
Alternative Equities						24,429
Other-Collectibles						425,000
Others						13,400
Real Estate						2,415,000
Total Investments Held Outside Treasury						<u>\$ 81,576,694</u>

**Foreign Currency Risk**

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. State agencies are required to deposit moneys in state-qualified depositories under Oregon law. Exceptions due to foreign field offices and related circumstances are approved by the Treasurer. International debt securities denominated in U.S. dollars are not subject to currency risk if the investment's obligations will be paid in U.S. dollars. Investment policies for fixed income investments under the management of the Treasurer provides for investments of the Common School Fund in non-dollar denominated securities within a target allocation range of 20 to 30% of their portfolio. For investments not under the management of the Treasurer there are no formal policies on foreign currency risk. Deposits and investments exposed to foreign currency risk for the Common School Fund as of June 30, 2022, follow:

Foreign Currency Denominations	Deposits and Investments (U.S. Dollars)			
	Deposits	International Equity Securities	Non-US Government Debt	Total
Argentine Peso	\$ 5,609	\$ -	\$ -	\$ 5,609
Canadian Dollar	35	975,637	3,426,106	4,401,778
Chinese Yuan	185,554	-	76,161	261,715
Euro	(1)	16,539,140	-	16,539,139
British Pound	6,478	47,281,481	-	47,287,959
Hong Kong Dollar	-	5,527,164	-	5,527,164
Japanese Yen	-	3,279,220	-	3,279,220
Korean Won	-	813,651	-	813,651
Mexican Peso	271,796	-	8,902,515	9,174,311
Russian Ruble	36,322	-	527,511	563,833
Swedish Krona	-	2,428,840	-	2,428,840
South African Rand	-	1,233,397	-	1,233,397
Total	\$ 505,793	\$ 78,078,530	\$ 12,932,293	\$ 91,516,616

**C – FAIR VALUE MEASUREMENTS**

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

Investments held by Treasury:

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

- Investments managed by Treasury: investments with remaining maturities of fewer than 90 days are carried at amortized cost, which approximates fair value; investments with maturities of greater than 90 days, debt securities, and investments not valued at fair value per share are valued using the latest bid prices or evaluated quotes from independent pricing vendors, which use a variety of methods when pricing these securities that incorporate relevant observable market data to arrive at an estimate of what a buyer in the marketplace would pay for a security under current market conditions; certain non-U.S. government commercial paper is reported at amortized cost as independent vendor pricing was not available; and where observable activity is limited, yet supports that the fair value per share represents an exit value of the security at the measurement date.
- Investments not managed by Treasury: debt securities are valued using the latest bid prices or evaluated quotes from independent pricing vendors, which use a variety of methods when pricing these securities that incorporate relevant observable market data to arrive at an estimate of what a buyer in the marketplace would pay for a security under current market conditions; and where observable activity is limited, yet supports that the fair value per share represents an exit value of the security at the measurement date.
- Level 3 – Valuations derived from valuation techniques in which significant inputs are unobservable.
  - Investments not managed by Treasury: in the absence of quoted market prices, such as equity securities that trade infrequently or not at all, valuations are based on the last traded price or prices provided by investment managers; and funds that do not meet the criteria to be measured at fair value because the fair value per share (or its equivalent) was not calculated in a manner consistent with the Governmental Accounting Standards Board's measurement principles for investment companies.

Investments that are measured at net asset value (NAV) as a practical expedient, such as private equity, real estate open-ended funds, investment pools such as domestic equity funds and international equity funds, and alternative equities, are excluded from the fair value hierarchy if the NAV (or its equivalent) was calculated in a manner consistent with the Governmental Accounting Standards Board's measurement principles for investment companies.

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

Investments in real estate open-ended funds have been valued based on the NAV per share (or its equivalent) as provided by the fund manager and consist of investments in two open-ended funds that permit quarterly redemption of shares, subject to certain requirements being met.

Alternative equity funds seek to provide diversification and inflation hedging characteristics to the Common School Fund and consist of four investments in commingled funds which permit monthly redemption of shares, subject to certain requirements being met. The fair values of the investments have been determined using NAV per share (or its equivalent) as provided by the fund manager.

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



**Common School Fund**  
**Notes to the Financial Statements**  
**June 30, 2022**

**APPENDIX B**

The following table shows the fair value classification hierarchy for investments as of June 30, 2022:

Investments by Fair Value Level	Fair Value Classification Hierarchy			Total Investments
	Level 1	Level 2	Level 3	
Investments Held at Treasury				
U.S. Treasury	\$ -	\$ 68,051,044	\$ -	\$ 68,051,044
U.S. Federal Agency Strips	-	19,421	-	19,421
U.S. Federal Agency Mortgages	-	64,827,841	-	64,827,841
Corporate Bonds	-	100,955,752	-	100,955,752
Non-US Government Debt	-	19,303,536	-	19,303,536
Asset-backed Securities	-	10,304,814	-	10,304,814
Collateralized Mortgage Obligations	-	5,711,719	-	5,711,719
Collateralized Mortgage-backed Securities	-	8,672,514	-	8,672,514
Domestic Fixed Income funds	-	279,059,213	-	279,059,213
Total debt securities	-	556,905,854	-	556,905,854
Domestic equity securities	363,718,858	-	-	363,718,858
Real Estate Investment Trust	3,693,484	-	-	3,693,484
Investments measured at fair value	367,412,342	556,905,854	-	924,318,196
Investments Measured at Net Asset Value (NAV):				
Domestic equity funds				159,573,566
International equity funds				465,932,571
Private equity				204,382,400
Real estate open ended funds				212,676,224
Alternative diversifying strategies				98,045,706
Alternative infrastructure				29,682,623
Total investments measured at NAV				1,170,293,090
Total Investments Held at Treasury				2,094,611,286
Investments Held Outside Treasury				
U.S. agency securities	-	111,161	-	111,161
U.S. Treasury strips	-	2,969	-	2,969
GNMA	-	312	-	312
Municipal bonds	-	172,622	-	172,622
Corporate bonds	-	83,836	-	83,836
Domestic equity securities	47,548,399	-	-	47,548,399
International equity securities	1,796,177	-	-	1,796,177
Other-Collectibles	-	-	425,000	425,000
Others	-	10,046	3,354	13,400
Real Estate	-	-	2,415,000	2,415,000
Investments Measured at Net Asset Value (NAV):				
Alternative equities				24,429
Equity funds				28,983,389
Total Investments Held Outside Treasury	49,344,576	380,946	2,843,354	81,576,694
Total Investments by fair value level	\$416,756,918	\$ 557,286,800	\$2,843,354	\$ 2,176,187,980

The following table shows the investments measured at net asset value per share (or its equivalent) including unfunded commitments and redemption as of June 30, 2022.

Investments Measured at Net Asset Value (NAV)	Fair Value	Unfunded Commitments <sup>1</sup>	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Private equity	\$ 204,382,400	\$ 32,327,145	NA	NA
Real estate open-ended funds	212,676,224	5,617,834	Quarterly	15 - 45 days
Alternative diversifying strategies	98,045,706	-	Monthly	3 - 10 days
Alternative infrastructure	29,682,623	23,743,375	NA	NA
Domestic equity funds	159,573,566	-	NA	NA
International equity funds	465,932,571	-	NA	NA
Total Investments at fair value	<u>\$ 1,170,293,090</u>	<u>\$ 61,688,354</u>		

<sup>1</sup> Excludes new commitments not yet funded at June 30, 2022.

#### **D – SECURITIES LENDING**

Common School Fund participates in securities lending transactions in accordance with State investment policies. The Treasury has, through a Securities Lending Agreement, authorized State Street Bank and Trust Company (State Street) to lend the Common School Fund securities pursuant to a form of loan agreement. Both the State and borrowers maintain the right to terminate all securities lending transactions on demand. There were no significant violations of the provisions of securities lending agreements during the year ended June 30, 2022.

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

As of June 30, 2022, the fair value of cash and non-cash collateral received was \$11.1 million and invested cash collateral was \$9.3 million for Common School Fund. There were no significant violations of the provisions of securities lending agreements during the period of these financial statements.

State Street, as a lending agent, has created a fund to reinvest cash collateral received on behalf of the OSTF. Common School Fund receives an allocated portion of this activity based on its deposits in OSTF. As of June 30, 2022, Common School Fund's allocated portion of cash collateral received and invested cash collateral were \$335 thousand and \$335 thousand respectively. Securities on loan from OSTF in total included U.S. Treasury securities (0.95%), U.S. Agency securities (26.17%), and domestic fixed income securities (72.88%).

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

**Common School Fund**  
**Notes to the Financial Statements**  
**June 30, 2022**

**APPENDIX B**

The maturities of investments made with cash collateral did not generally match the maturities of the securities loaned. Since the securities loaned are callable on demand by either the lender or borrower, the life of the loans at June 30, 2022, is effectively one day. On June 30, 2022, the Common School Fund had no credit risk exposure to borrowers because the amounts the State owes to borrowers exceed the amounts borrowers owe the State. The following table shows the combined balances of the securities on loan, cash and securities collateral received, and investments of cash collateral held.

<b>Securities Lending as of June 30, 2022</b>			
<b>Investment Type</b>	<b>Cash and Securities Collateral Received</b>	<b>Securities on Loan at Fair Value</b>	<b>Investments of Cash Collateral at Fair Value</b>
U.S. Treasury securities	\$ 370,700	\$ -	\$ -
U.S. Agency securities	299,462	573,218	-
Domestic equity securities	6,218,592	5,622,666	5,799,880
Domestic debt securities	3,215,562	2,688,484	2,534,409
International equity securities	982,733	1,764,470	982,430
	11,087,049	10,648,838	9,316,719
Allocation from Oregon Short-Term Fund	418,423	410,367	334,917
Total	<u>\$ 11,505,472</u>	<u>\$ 11,059,205</u>	<u>\$ 9,651,636</u>

### NOTE 3 – DERIVATIVES

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

The following table shows the foreign currency exchange contracts subject to foreign currency risk within the Common School Fund as of June 30, 2022:

<b>Currency</b>	<b>Options</b>	<b>Currency Forward Contracts</b>		<b>Total Exposure</b>
		<b>Net Receivables</b>	<b>Net Payables</b>	
Yuan Renminbi	\$ -	\$ -	\$ 12,223	\$ 12,223
Mexican Peso	-	(1,324)	(21,042)	(22,366)
Total	<u>\$ -</u>	<u>\$ (1,324)</u>	<u>\$ (8,819)</u>	<u>\$ (10,143)</u>

In the Common School Fund portfolio, rights and warrants are often obtained and held due to existing investments. Rights are the right, but not the obligation, to purchase newly issued equity shares, often in proportion to the number of shares currently owned, in a specific company, at a pre-established price on or within a predetermined date. A warrant provides the holder the right, but not the obligation, to purchase securities from

the issuing entity at a specific price and within a certain period. Rights and warrants are privately transacted in over-the-counter markets. Both are subject to general market risk and liquidity risk.

The following table shows the related net appreciation in fair value amounts and the notional amounts of derivative instruments outstanding within the Common School Fund as of June 30, 2022:

<b>Investment Derivatives</b>	<b>Net Appreciation/ (Depreciation) in Fair Value <sup>1,4</sup></b>	<b>Classification</b>	<b>Fair Value <sup>2</sup></b>	<b>Notional Value <sup>3</sup></b>
Foreign Exchange Forwards	\$ 115,939	Long Term Instruments	\$ (10,142)	\$ 4,407,516
Rights	53,219	Common Stock	-	-
Total	<u>\$ 169,158</u>		<u>\$ (10,142)</u>	<u>\$ 4,407,516</u>

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

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

## **NOTE 4 – RECEIVABLES AND PAYABLES**

### **A – RECEIVABLES**

The following table disaggregates receivable balances reported in the financial statements as accounts and interest receivable (net), and Net Contracts, Notes, and Other Receivables. Receivable reported for governmental activities as of June 30, 2022:

<b>Governmental activities</b>	<b>Total</b>
General accounts	\$ 114,689
Interest	2,464,366
Investment broker receivable	14,173,586
Accounts and Interest Receivable, net	<u>\$ 16,752,641</u>

<b>Governmental activities</b>	<b>Total</b>
Contracts, Notes, and Other Receivables	\$ 125,190
Allowance for doubtful accounts	(111,319)
Net Contracts, Notes, and Other Receivables	<u>\$ 13,871</u>

**B – PAYABLES**

The following table disaggregates accounts payable reported in the financial statements as general accounts payable and broker payable. Payables reported for governmental activities as of June 30, 2022:

General accounts payable	\$ 1,654,309
Investment broker payable	25,974,382
Total payables	<u>\$ 27,628,691</u>

**C – DEPOSIT LIABILITIES**

Deposit liabilities consist of unclaimed property held in custody by the Treasury and the Department in perpetuity for the rightful owner as required by ORS 98.302-98.436 and 98.991-98.992. The unclaimed property liability is reported at approximately 50.71% of the total unclaimed property being held. In the current fiscal year, a change in methodology was made by starting with the amount reported multiplied by the percentage of the reclaimed rate and subtracting the total cash claimed. The new methodology also allocates the estimated liabilities between the Treasury and the Department to process claims for property. Starting the current fiscal year, the Treasury is responsible for all new deposit liabilities. All deposit liabilities prior to the current fiscal year remain the responsibility of the Department. The total legal liability for the unclaimed property program as of June 30, 2022, was \$919.5 million. The accumulated annual adjustment as of June 30, 2022, was \$691.1 million.

**NOTE 5 – LEASES**

**A – LEASES - LESSEE**

The Department and the Treasury have various non-cancelable rental agreements for buildings and equipment with non-state entities that are accounted under the new lease guidance GASB Standard No. 87, Leases. The lease purchase revenue is reported as leases incurred in the amount of \$4.3 million in other financing sources (uses) whereas the lease purchase expenditure is reported in capital improvements in the amount of \$4.3 million. The principal and interest payments are reported as debt service payments in the amount of \$69 thousand and \$28 thousand, respectively. Lease liabilities and assets are recorded in the State of Oregon's Annual Comprehensive Financial Report for the year ended June 30, 2022, Statement of Net Position. There is no residual value guarantee in these lease contracts. Land is pledged as a collateral security to one of the leased building contracts. The following table shows future minimum lease payments and the related net present value as of June 30, 2022:

Year ending June 30,	Principal	Interest
2023	\$ 162,497	\$ 84,373
2024	184,333	82,425
2025	206,305	79,320
2026	229,065	75,859
2027	249,533	72,035
2028-2032	976,913	301,966
2033-2037	950,091	204,678
2038-2042	1,274,150	72,176
<b>Total</b>	<u><u>\$ 4,232,887</u></u>	<u><u>\$ 972,833</u></u>

**B – LEASE RECEIVABLES**

The Department receives rental income from land and property leased to non-state entities. For the year ended June 30, 2022, the Department received rental income of \$60 thousand on leased assets with a fair market value of \$2.4 million. The leased assets are considered investments of the Department and is excluded from the new lease guidance GASB Standard No. 87, Leases. Future minimum lease revenues for non-cancelable leases as of June 30, 2022:

Year ending June 30,	Amount
2023	\$ 61,359
2024	63,199
2025	65,095
2026	67,048
2027	69,060
2028-2032	125,672
Total future minimum rental revenues	<u>\$ 451,433</u>

**NOTE 6 – POLLUTION REMEDIATION OBLIGATION**

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

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

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

As of June 30, 2022, the Department has remaining contracts for Portland Harbor cleanup activities estimated at \$2.1 million. The pollution remediation obligation of \$2.1 million for the Portland Harbor Superfund site is recorded in the State of Oregon's Annual Comprehensive Financial Report for the year ended June 30, 2022, Statement of Net Position.



## **NOTE 7 – INTERFUND TRANSACTIONS**

Interfund balances reported in the financial statements as of June 30, 2022:

<b>Due to Other Funds</b>	<b>Due from Other Funds</b>		
	<b>Employment Services</b>	<b>Environmental Management</b>	<b>Common School</b>
Environmental Management	\$ -	\$ -	\$ 236,827
Common School	423,127	173,276	-
General	-	-	30
Other Custodial	-	-	1,689
<b>Total</b>	<b>\$ 423,127</b>	<b>\$ 173,276</b>	<b>\$ 238,546</b>

<b>Advances to Other Funds</b>	<b>Advances from Other Funds</b>		
			<b>Common School</b>
Environmental Management	\$ -	\$ -	\$ 300,000

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

## **NOTE 8 – RELATED PARTY TRANSACTIONS**

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

The State Land Board, which consists of the Governor, Secretary of State and Treasurer, is the trustee of the Common School Fund as outlined in the Oregon Constitution. The Common School Fund's investment policies are governed by statute and the Oregon Investment Council. The Treasurer is the investment officer for the Investment Council. During the year ended June 30, 2022, the Common School Fund paid Treasury \$648 thousand in fees for the management of the Common School Fund investment portfolio.

## **NOTE 9 – RISK FINANCING**

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

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

## **NOTE 10 – FUND EQUITY**

Restricted fund balances result from constraints imposed by law through constitutional provisions or enabling legislation or by parties outside the State, such as creditors, grantors, contributors, or laws or regulations of other governments. Enabling legislation authorizes the Department to levy, access, charge, or otherwise mandated payment from external resource providers and includes a legally enforceable requirement that those resources be used only for specific purposes stipulated by the legislation. As of June 30, 2022, the Common School fund balance of \$2 billion is restricted for K-12 Education.

## **NOTE 11 – COMMITMENTS**

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

As of June 30, 2022, the Department had the following personal services contract commitments in effect:

<b>Funding Source</b>	<b>Total</b>
Other Funds	\$ 26,467,624

The Oregon Investment Council has entered into agreements that commit the investment managers for the Common School Fund, upon request, to additional investment purchases up to a predetermined amount. As of June 30, 2022, the Common School Fund had approximately \$96.7 million in commitments to purchase private equity, alternatives and real estate open-ended fund investments. These amounts are unfunded and are not recorded in the financial statements.

## **NOTE 12 – CONTINGENCIES**

### ***PORTLAND HARBOR SUPERFUND SITE***

The Department is involved in negotiations related to a confidential, nonjudicial mediation process that will result in an allocation of costs associated with the investigation and cleanup of sediment contamination in the Portland Harbor, a ten-mile stretch of the lower Willamette River area that the U.S. Environmental Protection Agency (EPA) has listed as a Superfund site under the federal Superfund law (CERCLA). The Department is one of over 100 parties, private companies, and public entities that may eventually be found liable for a share of the costs related to investigation and cleanup of the site.

The Department has received General Notice Letters from the EPA informing it is a potentially responsible party (PRP) under CERCLA for cleanup costs at the site. The EPA's letter to the Department charges that the State,

through the Department and the State Land Board, is a PRP because of releases of hazardous substances by third parties on submerged and submersible leased lands owned by the state in trust for the public and managed by the Department. Under CERCLA, responsible parties can be held jointly and severally liable for all costs, subject to certain defenses.

On January 6, 2017 EPA issued a Record of Decision (ROD) for the final cleanup remedy which EPA estimates will cost \$1.05 billion and take approximately 13 years to complete. Other parties estimate that it is a \$3 billion remedy that will take 20 years to complete. Liable parties under CERCLA are responsible for funding this remedial action, as well as other preliminary actions required before full implementation of the ROD, such as additional investigation, remedial design, and agency oversight. EPA has asked PRPs to step forward to perform components of the ROD or risk enforcement action. The Portland Harbor Superfund mediation will allocate response costs among all liable parties.

In September 2018, the EPA signed an Administrative Settlement and Order on Consent which obligates four PRP parties to undertake pre-remedial design sampling to investigate the current state of sediment contamination in the site. This sampling investigation and related deliverables were provided to EPA in June 2019. In September 2019, EPA concluded that the data from the sampling was of suitable quality for further use, though EPA and the four PRP parties remain in discussion about how the data may impact future cleanup work.

It is also too early to estimate the proportionate share of the liability for cleanup costs, if any, that may ultimately be assessed against the Common School Fund. It is not known when the mediation process will end.

The Portland Harbor Superfund will also involve a separate allocation of liability for injuries to natural resources caused by contamination at the site, which is an additional type of recovery under the Superfund law known as natural resource damages (NRD). The NRD claim will be asserted against all PRPs, including the Department, by the Portland Harbor natural resource trustees, a group composed of five tribes, two federal agencies, and the State. The trustees have initiated a cooperative injury assessment process funded by third parties, the goal of which is to reach settlements of the NRD claim based on readily available information. The state is seeking a settlement of its NRD liabilities. It is too early to evaluate what, if any, share of the liability the Common School Fund may ultimately bear for the NRD claim.

The Department is pursuing claims for insurance coverage of its Portland Harbor defense costs and any future liabilities for cleanup costs and natural resource damages. These claims are based on commercial general liability insurance policies the State held from 1968 to 1972 that listed the Department as an additional insured. These insurance carriers have agreed to participate in funding the Department's defense in Portland Harbor proceedings but have reserved their rights to deny indemnity coverage. In June 2019, the State executed a settlement agreement with several insurers regarding their obligation to pay for most of the Department's defense costs through 2024.

## **OTHER REPORTS**

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

State Land Board  
Oregon Department of State Lands  
Salem, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Common School Fund, a major governmental fund of the State of Oregon, which comprise the balance sheet as June 30, 2022, and the related statement of revenues, expenditures, and changes in fund balances for the year ended, and the related notes to the financial statements, which collectively comprise the Common School Fund's basic financial statements and have issued our report thereon dated November 9, 2022.

**Report on Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.



**Report on Compliance and Other Matters**

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

**Purpose of this Report**

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

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Boise, Idaho

November 9, 2022



# Common School Forest Land Annual Report

FISCAL YEAR 2022



**Prepared by the  
Oregon Department  
of Forestry**

**February 2022**



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**Annual Report Located at:**

<https://www.oregon.gov/ODF/Pages/Reports.aspx>

## Executive Summary

DATE: February 1, 2023

TO: Governor Tina Kotek  
Secretary of State Shemia Fagan  
State Treasurer Tobias Read

FROM: Cal Mukumoto, Oregon State Forester

SUBJECT: Fiscal Year 2022 Annual Report for Common School Forest Land

During fiscal year 2022 the Oregon Department of Forestry (ODF) managed 33,005 acres of Common School Forest Land (CSFL). As trustee of the CSFL, the State Land Board (SLB) oversees management to provide Oregonians the greatest benefit, consistent with resource conservation and sound land management strategies. Within this context, these lands are managed to maximize revenue to the state's Common School Fund (CSF) through an agreement among ODF, the SLB and the Department of State Lands (DSL). The DSL 2012 Real Estate Asset Management Plan states that these lands are "managed primarily to produce merchantable timber on a sustainable basis in accordance with plans adopted by the Land Board in cooperation with the Board of Forestry." Net revenues generated from CSFL are dedicated to the CSF.

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

### **Fiscal Year 2022 Harvest and Revenue**

In 2022, net operating income increased to 1.9 million due to increased volume harvested from CSF timber sales. ODF continues stewardship of 33,005 acres of CSFL through active management, supervising and administering timber operations, monitoring environmental successes and sustaining critical wildlife habitat areas.

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

1. CSFL Harvest Volume:
  - a. 10.36 MMBF
  - b. 144 percent increase from FY 2021
2. Revenue Transfers to CSF:
  - a. \$3.17 million
  - b. 23.4 percent increase from FY 2021

3. Net Operating Income (NOI): NOI is the total revenue received by ODF minus management costs. It is influenced by the same factors that affect volume and value, as well as management expenses.
  - a. \$1,890,650
  - b. 68.9 percent increase from FY 2021
4. CSFL Management costs:
  - a. \$1.28 million
  - b. 11.6 percent decrease from FY 2021
5. CSFL sales sold in FY 2022 (not yet harvested)
  - a. 4.98 MMBF
  - b. Approximately \$2.26 million in timber sale value (prior to CSFL management costs)

#### **Other Forest Management Activities**

Reforestation and young stand management are integral to ensuring a sustainable flow of wood and future habitat development. On CSFL in FY 2022, 14 acres were reforested and 313 acres received young-stand management treatment, improving overall forest health and future growth.

This annual report summarizes CSFL management activities from July 1, 2021 through June 30, 2022.



# Financial and Asset Management

## Overview

This report primarily focuses on FY 2022 (July 1, 2021 through June 30, 2022). However, forest management often requires evaluating trends in revenue and costs for previous biennia (e.g., sales approved in one year's operating plan may be harvested over one to three subsequent years). Revenue transferred to the CSF from management of CSFL has varied over the past 10 years from \$1.9 million to \$6.4 million annually. This time period includes fiscal years prior to July 1, 2017, when ODF managed the Elliott State Forest.

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

### Net Operating Income (NOI)

NOI for CSFL for FY 2022 was \$1,890,650. NOI was calculated by subtracting costs from total revenue transferred to DSL. NOI ranged from \$532,241 to \$1.9 million for CSFL in the past 5 years (Table 1). Note that previous reports calculated this as total revenue invoiced minus total costs, for FY 2018 and FY 2019. This created confusion in the past (i.e., invoiced versus transferred), so it has been updated here for consistency. Previous reports will not be updated.

Table 1: Net Operating Income	
<b>FY2022</b>	<b>\$1,890,650</b>
FY2021	\$1,119,587
FY2020	\$1,103,223
FY2019	\$532,241
FY2018	\$679,930
<b>5 Year Average</b>	<b>\$1,065,126</b>

### Annual Revenue

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

## Fiscal Year 2022 Revenue and Investment Costs

During FY 2022, \$3.17 million in revenue was transferred to DSL (Table 2). Total charges for managing the CSFL totaled \$1.28 million during FY 2022 (Table 2). These expenditures include State Forests Division personnel in Salem, three regional areas, and seven districts. The units are responsible for timber sale contract development and compliance, reforestation and intensive management activities, Endangered Species Act compliance, research and monitoring, forest planning and public engagement, and overall program administration.

Other charges to the CSF, referred to as “Net Revenue Transfers,” totaled \$231,185 in FY 2022 (Table 3). This is approximately 18 percent of total overall costs. Revenue transfers include a prorated portion of ODF’s total costs for capital improvement projects, debt service, and seed orchard management.

Revenue transfers include a portion of overall agency administration prorate which totaled \$220,537. It is ODF’s goal to ensure that allocation of agency administrative costs accurately reflects work performed by administrative and managerial staff, and that each program pays their appropriate share of administrative costs.

J.E. Schroeder Seed Orchard costs for FY 2022 were \$10,425. These funds were used to produce genetically improved seed (superior growth, wood quality, and disease tolerant characteristics as identified through traditional breeding and selection methods) appropriate for reforesting state forestlands.

The fire protection cost for 33,005 acres of ODF managed CSFL was approximately \$112,869.

## CSFL Revenues and Expenditures for FY 2022

Table 2: CSFL Revenues and Expenditures					
Expenditures and Transfers					
Category	FY18	FY19	FY20	FY21	FY22
T & E Surveys	\$84,315	\$86,288	\$108,828	\$95,611	\$114,930
Salem Program	\$205,326	\$183,254	\$297,652	\$423,562	\$400,838
Total Salem Expenditures	\$289,641	\$269,542	\$406,480	\$519,173	\$515,768
Total District Expenditures	\$583,272	\$653,170	\$690,803	\$513,752	\$536,027
Administrative Transfers	\$448,370	\$444,470	\$398,296	\$416,313	\$228,753
<b>Total Expenditures + Transfers</b>	<b>\$1,321,283</b>	<b>\$1,367,182</b>	<b>\$1,495,579</b>	<b>\$1,449,238</b>	<b>\$1,280,549</b>
District Expenditures Prorated by Acres					
District	FY18	FY19	FY20	FY21	FY22
Tillamook	\$182,519	\$184,428.21	\$204,029.19	\$231,463.05	\$199,247.51
Astoria	\$85,919	\$109,456.59	\$96,495.74	\$92,876.78	\$85,221.83
Forest Grove	\$24,237	\$37,185.61	\$29,816.57	\$32,279.94	\$28,990.91
West Oregon	\$317,171	\$361,443.13	\$460,863.18	\$373,341.41	\$348,210.64
North Cascade	\$45,108	\$44,683.30	\$42,793.52	\$58,752.32	\$52,946.66
SW Oregon	\$306,241	\$0.00	\$0.00	\$0.00	\$0.00
Coos	\$96,289	\$0.00	\$0.00	\$0.00	\$0.00
Western Lane <sup>1</sup>	\$55,730	\$429,292.33	\$437,344.44	\$424,068.22	\$346,343.64
Klamath-Lake	\$208,069	\$200,692.84	\$224,236.82	\$236,455.94	\$219,587.62
<b>Total Expenditures + Transfers</b>	<b>\$1,321,283</b>	<b>\$1,367,182</b>	<b>\$1,495,579</b>	<b>\$1,449,238</b>	<b>\$1,280,549</b>
CSFL Revenues					
District	FY18	FY19	FY20	FY21	FY22
Tillamook	\$14,823	\$127,484	\$97,366	\$54,561	\$59,633
Astoria	\$307,332	\$482,885	\$694,366	\$2,881	\$108,384
Forest Grove	\$301,498	\$322,422	\$635,519	\$1,542,376	\$138,506
West Oregon	\$896,188	\$1,254,904	\$664,469	\$737,436	\$1,754,192
North Cascade	\$5	\$262	\$2	\$2,325	\$472,768
SW Oregon	\$490,844	\$0	\$0	\$0	\$0
Coos/Elliott	\$19,229	\$0	\$0	\$0	\$0
Western Lane <sup>1</sup>	\$1,100	\$83,850	\$356,548	\$229,749	\$637,707
Klamath-Lake	\$64,931	\$47,910	\$143,529	(\$503)	\$9
<b>Revenues Transferred to DSL</b>	<b>\$2,001,213</b>	<b>\$1,899,423</b>	<b>\$2,598,802</b>	<b>\$2,568,825</b>	<b>\$3,171,199</b>

<sup>1</sup> Starting FY19 SW Oregon and Coos units are being managed out of Western Lane.

## Details of FY 2022 Administrative Costs

Table 3: Details of FY 2022 Administrative Transfer Costs	
Administrative Revenue Transfers	Amount
Administrative Prorate Charge	\$220,537
J.E. Schroeder Seed Orchard	\$10,425
Residual Equity	\$223
Bond Principal	\$0
Bond Interest	\$0
<b>ADMINISTRATIVE TRANSFER COSTS TOTAL</b>	<b>\$231,185</b>

## CSFL Historical Timber Harvest Value, Volume and Average Stumpage Prices for Fiscal Years 2013 – 2022

Table 4: Common School Forest Land Historical Timber Harvest Value, Volume and Average Stumpage Price Fiscal Years 2013 through 2022			
Fiscal Year	<sup>2</sup> Timber Sales Value of Timber Removed	Timber Harvest Volume (MMBF) Removed	Average Sold Sale Stumpage Price/MBF <sup>1</sup>
2022	\$4,641,474	10.358	\$454
2021	\$2,034,439	4.242	\$404
2020	\$2,597,050	5.590	\$439
2019	\$2,057,269	4.671	\$170
2018	\$1,534,693	3.573	\$476
2017 Elliott State Forest (Coos District)	\$2,691,137	7.758	\$347
2017 Other CSFL	\$1,152,934	2.765	\$413
<b>Total 2017</b>	<b>\$3,844,071</b>	<b>10.523</b>	<b>\$413</b>
2016 Elliott State Forest (Coos District)	\$3,416,945	7.990	\$327
2016 Other CSFL	\$2,454,497	6.170	\$347
<b>Total 2016</b>	<b>\$5,871,441</b>	<b>14.160</b>	<b>\$332</b>
2015 Elliott State Forest (Coos District)	\$3,592,162	8.260	\$436
2015 Other CSFL	\$2,367,124	6.990	\$356
<b>Total 2015</b>	<b>\$5,959,286</b>	<b>15.250</b>	<b>\$375</b>
2014 Elliott State Forest	\$2,524,725	6.960	\$434
2014 Other CSFL	\$1,503,429	4.000	\$205
<b>Total 2014</b>	<b>\$4,028,154</b>	<b>10.960</b>	<b>\$411</b>
2013 Elliott State Forest	\$1,606,932	4.514	\$288
2013 Other CSFL	\$1,992,098	6.562	\$328
<b>Total 2013</b>	<b>\$3,599,030</b>	<b>11.076</b>	<b>\$308</b>
<b>Last 5 Year Average</b>	<b>\$2,572,985</b>	<b>5.7</b>	<b>\$389</b>
<b>10 Year Average</b>	<b>\$3,616,691</b>	<b>9.0</b>	<b>\$378</b>

<sup>1</sup> Average stumpage for new sales sold during the fiscal year and is not related to the harvested volume and value columns, which cover harvests spanning multiple fiscal years.

<sup>2</sup> Timber Sale Value is gross timber sales value before project work credits have been subtracted.

## Forest Land Management

During FY 2022 ODF managed 33,005 acres of CSFL (Table 5). Activities conducted on CSFL managed by ODF include: timber harvest, reforestation and young stand management, and road construction and maintenance.

### Timber Management Activities

A total of 16 active sales were harvested in FY 2022, producing 10.36 mmbf of volume with a value of \$4,641,474 (Table 7). In addition, there were 3 sales sold in FY 2022, totaling approximately 4.98 mmbf of timber volume (Table 6).

All planned sales on CSFL in FY 2023 are estimated to produce 5.92 mmbf of timber volume with a net value of \$2.2 million (Table 8).

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

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

Table 5: Common School Forest Lands Managed by ODF	
COUNTY	CSFL ACRES
BENTON	563
CLACKAMAS	113
CLATSOP	2,060
COLUMBIA	80
COOS	720
CURRY	1,352
DOUGLAS	1,908
JACKSON	1,622
JOSEPHINE	3,961
KLAMATH	6,827
LANE	907
LINCOLN	4,477
LINN	90
MARION	720
POLK	1,690
TILLAMOOK	5,584
WASHINGTON	250
YAMHILL	80
<b>GRAND TOTAL:</b>	<b>33,005</b>
Source: ODF, 07/1/22	
Note: Report is based on legal acres not GIS acres	

## Timber Sales Sold During FY 2022

Table 6. Common School Forest Lands Timber Sales Sold in Fiscal Year 2022										
Sale Name	ODF District	CSFL % of Sale	Total Sale Volume (Mbf)	CSFL Volume (Mbf)	CSFL Acres Partial Cut	CSFL Acres Regen.	Total Project Costs	CSFL Project Costs	Net Sale Value (BOF + CSFL)	Net CSFL Value
Blue Bucket	Astoria	52%	5,391	2,797	0	72	\$117,946	\$61,190	\$2,082,525	\$1,080,414
Powerline Salvage	West Oregon	54%	0	0	0	18	\$0	\$0	\$47,162	\$25,675
Rebott	West Oregon	62%	3,545	2,186	0	69	\$35,667	\$21,992	\$1,873,077	\$1,154,939
<b>Total</b>			<b>8,936</b>	<b>4,983</b>	<b>0</b>	<b>158</b>	<b>\$153,613</b>	<b>\$83,183</b>	<b>\$4,002,764</b>	<b>\$2,261,028</b>

All dollar amounts are rounded to the nearest whole dollar.

## Activity Summary for FY 2022

Table 7. Active Timber Sales on Common School Forest Lands Volume and Value, Fiscal Year 2022					
Sale Name	District	Sale No.	%CSFL	MMBF Harvested	Value CSFL
#2 Niagara Restoration	North Cascade	NC-341-2021-W00894-01	1%	0.01	\$7,325
Beaver Nation	Tillamook	TL-341-2020-W00288-01	43%	0.45	\$124,265
Cline Miller Thin	West Oregon	WO-341-2021-W00360-01	4%	0.01	\$3,083
Duchess and the Duke	Forest Grove	FG-341-2020-W00544-01	84%	1.25	\$630,386
Gates Hill	North Cascade	NC-341-2021-W00895-01	100%	0.80	\$380,067
Hamlet 8	Astoria	AT-341-2021-W00828-01	0%	0.00	\$223
Harlan Hangover	West Oregon	WO-341-2021-W00685-01	33%	0.77	\$456,280
Just in Beaver	West Oregon	WO-341-2021-W00697-01	34.3%	0.48	\$240,387
Little Thin on the Prairie	West Oregon	WO-341-2021-W00362-01	100%	0.69	\$180,787
Lost Steere	West Oregon	WO-341-2020-W00777-01	100%	1.17	\$484,126
Manzanita Woman	Klamath-Lake	KL-341-2019-W00513-01	100%	0.71	\$97,455
Milk Creek	Western Lane	WL-341-2020-W00577-01	100.0%	1.83	\$885,249
Packsaddle	North Cascade	NC-341-2022-W00914-01	5%	0.27	\$85,983
Powerline Salvage	West Oregon	WO-343-2022-W00918-01	54.4%	0.00	\$11,615
Rebott	West Oregon	WO-341-2022-W00683-01	62%	1.90	\$1,053,870
Shingle South Thin	West Oregon	WO-341-2019-W00790-01	1%	0.00	\$373
<b>Total</b>				<b>10.36</b>	<b>\$4,641,474</b>



## Planned Timber Sales for FY 2023

Table 8: Annual Operation Plan Timber Sales Planned in CSFL in FY 2023									
Sale Name	ODF District	CSFL Percent of Sale	Timber Sale Volume (MBF)	CSFL Volume (MBF)	CSFL Acres Regen Cut	CSFL Acres Partial Cut	Total Sale Value	CSFL Project Costs	Net CSFL Value
Cup of Joe	Astoria	19%	1,900	361	12	0	\$697,500	\$8,493	\$124,032
CSL	Klamath-Lake	100%	2,800	2,800	0	403	\$644,875	\$1,400	\$643,475
Mahrvelous	West Oregon	25%	3,300	825	21	0	\$1,821,600	\$18,922	\$436,478
Doe a Deer	West Oregon	92%	2,100	1,932	51	0	\$1,139,600	\$51,475	\$996,957
<b>Total</b>			<b>10,100</b>	<b>5,918</b>	<b>84</b>	<b>403</b>	<b>\$4,303,575</b>	<b>\$80,290</b>	<b>\$2,200,942</b>

## Reforestation and Young Stand Management for FY 2022

Table 9: Young Stand Management Activities in CSFL in FY 2022			
Management Activity	Acres Planned	Acres Completed	Total Cost
Initial Planting*	20	14	\$5,294
Interplanting	15	0	\$0
Invasive Plant Control	0	0	\$0
Precommercial Thinning	27	16	\$3,060
Pruning	5	0	\$0
Release-Chemical- Aerial	0	0	\$0
Release-Chemical-Hand	25	10	\$1,291
Release-Mechanical-Hand	15	1	\$0
Site Prep-Mechanical	4	0	\$0
Site Prep-Slash Burning	42	37	\$432
Site Prep-Chemical- Aerial	0	0	\$0
Site Prep-Chemical- Hand	20	71	\$6,925
Surveys-Invasive Plants	0	4	\$0
Surveys-Reforestation	333	158	\$0
Tree Protection-Barriers**	49	2	\$2,503
Tree Protection-Direct Control	15	0	\$0
Underplanting*	0	0	\$0
<b>Total</b>	<b>570</b>	<b>313</b>	<b>\$19,505</b>

\*Planting costs include all costs to grow seedlings.

\*\*Some districts used inmate labor. Inmate crew costs are covered in this table.

## Road Management Activities for FY 2022

Table 10: FY 2022 Annual Road Work – CSFL								
District & County	Aggregate/Paved Surface (miles)			Dirt Surface (miles)			Bridge	Fish Pipes
	Constructed	Improved	Vacated	Constructed	Improved	Vacated	Installed	Installed
Astoria/Clatsop	0	0.90	0	0	0	0	0	0
Klamath/Klamath	0	0	0	0.2	0.1	0	0	0
West Oregon/Benton	0	1.55	0	0	0	0	0	0
Total	0	2.45	0	0.20	0.10	0	0	0

### Links To More Information

#### Stand Level Inventory

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

#### Stream and Watershed Restoration

[Restoration reports](#) summarize all restoration activity reported to OWEB by State Forest Districts since 1995.

#### Forest Health

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



# Oregon

Tina Kotek, Governor

## Department of State Lands

775 Summer Street NE, Suite 100

Salem, OR 97301-1279

(503) 986-5200

FAX (503) 378-4844

[www.oregon.gov/dsl](http://www.oregon.gov/dsl)

## State Land Board

## M E M O R A N D U M

Tina Kotek

Governor

Shemia Fagan

Secretary of State

Tobias Read

State Treasurer

Date February 7, 2023

To: Governor Tina Kotek  
Secretary of State Shemia Fagan  
State Treasurer Tobias Read

From: Vicki L. Walker  
Director

Subject: Managing School Lands: Real Property Program Annual Report  
for July 1, 2021 to June 30, 2022

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

The Managing School Lands: Real Property Program Annual Report for July 1, 2021 to June 30, 2022 reviews the current school lands portfolio, discusses management approaches and activities, analyzes school land financial performance, and identifies future priorities and projects.

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

## **APPENDICES**

Appendix A – Managing School Lands: Real Property Program Annual Report





**FY 2022**





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# REPORT

## AT-A-GLANCE

The Department of State Lands oversees Oregon's school lands, managing 1.5 million acres of rangelands, forestlands, mineral resources, and more to generate revenue for the Common School Fund. This **Managing School Lands: Real Property Program Annual Report** for July 1, 2021, to June 30, 2022 (FY22) reviews the current school lands portfolio, discusses management approaches and activities, analyzes school land financial performance, and identifies future projects and priorities.

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

Key takeaways include:

**\$1.38 million added to Common School Fund.** In Fiscal Year 2022 (FY22), school land management activities and sales added just over \$1.38 million to the Fund. While this represents a decrease from FY21, strategic focus has been on completing two major land sales in Central Oregon with potential to send significant income to the Common School Fund in FY23.

**Revenue increased, but operating income remains negative.** In FY22 revenue for the Real Property Program increased by approximately \$650,000, but operating income remains negative due to expenses related to the Elliott State Forest. When Elliott expenses are excluded, Program operating income is \$2 million.

**Livestock grazing remains the largest leased use of school lands.** The Department leases 657,738 acres of school rangelands and forestlands for forage. In FY22, 157 forage leases generated \$569,238 – 43.9% of income from school land use authorizations.

**Addressing forestland revenue challenges continues to be a priority.** In addition to finalizing the transition of the Elliott State Forest to the new Elliott State Research Forest Authority, the Department is exploring options to improve forestland revenue. In FY22 this effort included proposing forestlands in the Klamath District be managed by DSL, rather than the Oregon Department of Forestry, to reduce costs and increase revenue on the more productive forestlands managed by ODF.

**Strategic emphasis includes program and land planning, maximizing revenue to schools, positioning for future opportunities, and acquiring lands owed to Oregon.** Work underway includes developing the Department's 10-year school land asset management plan; land-use planning projects in urban areas that will result in high-yield land sales; enhancing and exploring opportunities for communication facility and renewable energy project leases; and securing the remaining 1,400 acres of school lands owed Oregon by the federal government.







# OVERVIEW:

## OREGON'S SCHOOL LANDS

School lands have supported public education in Oregon since statehood. The act of Congress admitting Oregon to the Union in 1859 granted the new state nearly 3.4 million acres of land "for the use of schools." The State Land Board was established as trustee of these "school lands" and the Common School Fund.

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

The Department's Real Property Program:

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



**Ensures school lands continue to thrive.**

Projects to reduce wildfire risk on school lands, maintain and improve the health of school rangelands and forestlands, and other stewardship actions help preserve the contributions of school lands, while also providing opportunities to collaborate with other land management agencies and organizations.

**Develops management strategies and tracks performance.** The Real Property Program is guided by DSL's Strategic Plan and a school land asset management plan, a ten-year planning document that establishes strategies and procedures for managing school lands, as well as metrics to track land valuation and performance. The most recent plan is the 2012 Real Estate Asset Management Plan (REAMP). The Department is currently updating the plan to provide strategic and day-to-day management guidance for the coming decade. *See the Future Projects and Priorities section for more information about strategic initiatives.*

**Supports other state agencies in managing lands.** The Real Property Program processes sales of subsurface lands (mineral releases) on behalf of other state agencies. The Program also maintains a registry of mineral and geothermal ownership for all state agencies and manages a database of all lands managed by state agencies.

## School Land Classifications

The Department manages Oregon's school lands, which include trust lands and statutory lands<sup>1</sup>.

**Trust lands** are those granted by the federal government upon Oregon's admission into the Union. Approximately 98% of all school lands are trust lands. The Land Board is directed by Oregon's Constitution to manage these lands for the primary purpose of generating revenue for K-12 education.

The approximately 25,7000 acres of **statutory lands** managed by the Real Property Program were dedicated to the state through the Swamp Lands Act of 1850. The majority of these acres are rangelands.

School lands are assigned a land classification of forestlands, agricultural lands, rangelands, industrial/commercial/residential lands, mineral and energy resource lands, and special stewardship lands.

**Forestlands.** Forestlands are areas capable of growing and sustaining forest cover. School forestlands include certified forests, noncertified forests, and the Elliott State Forest.

CERTIFIED FORESTS	NONCERTIFIED FORESTS	THE ELLIOTT STATE FOREST
<ul style="list-style-type: none"> <li>33,000 acres of school forestlands.</li> <li>Primarily located in the western portion of the state, these forests tend to be highly productive and are harvested, contributing to the Common School Fund.</li> <li>Certified forests are managed and harvested by the Oregon Department of Forestry in compliance with the Oregon Forest Practices Act on behalf of DSL.</li> </ul>	<ul style="list-style-type: none"> <li>Typically slow-growing sites that produce minimal income from timber harvest.</li> <li>About 8,500 acres of school forestlands are noncertified.</li> <li>These lands are mainly located east of the Cascade Range and are managed by DSL.</li> <li>Noncertified forests typically contribute to the Common School Fund through land authorizations, such as grazing leases.</li> </ul>	<ul style="list-style-type: none"> <li>The Elliott State Forest contains approximately 82,500 acres of forestlands located in the Coast Range northeast of Coos Bay.</li> <li>Currently managed by DSL, the Elliott generates no revenue from forestry activities for the Common School Fund.</li> </ul>

**Agricultural lands.** Agricultural lands are areas where the native vegetation has been removed for crop production. School agricultural lands may be irrigated or nonirrigated. To be classified as agricultural lands the parcel must currently be under lease for agriculture or in the process of being converted to agriculture.

<sup>1</sup> School lands discussed in this report include assets managed by the Real Property Program, and do not include the beds and banks of navigable and other publicly owned waterways, which are overseen by DSL's Aquatic Resource Management Program.





**Agricultural lands.** Agricultural lands are areas where the native vegetation has been removed for crop production. School agricultural lands may be irrigated or nonirrigated. To be classified as agricultural lands the parcel must currently be under lease for agriculture or in the process of being converted to agriculture.

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

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

**Mineral and Energy Resource Lands.** Surface or subsurface lands may contain mineral or energy resources. Mineral resources are subsurface lands that may be used for mineral resource development or exploration. Energy resources are lands primarily used for renewable energy, including wind, solar, and geothermal.

**Special Stewardship Lands.** Special stewardship lands are managed to ensure the protection of natural resource, cultural, educational, scenic and recreational values. They typically have benefits other than revenue production—for example, they may serve as habitat for threatened or endangered species. Approximately 6,700 acres of special stewardship lands are managed by South Slough National Estuarine Research Reserve for recreation and coastal research, education, and training.

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

Table 1 shows the number of school land acres within each classification. Table 2 shows the net gains and losses resulting from classification changes between FY21 and FY22 for all land classifications. Appendix E shows the land classification changes for each property and the rationale for the changes. Appendix A shows a map of the distribution of these lands across the state.

Table 1

LAND CLASSIFICATION	TRUST LANDS (ACRES)	STATUTORY LANDS (ACRES)	TOTAL ACRES	PORTION OF ALL SCHOOL LANDS
Forestlands	122,521	182	122,703	8.0%
Agricultural Lands	7,215	2	7,217	.5%
Rangelands	598,134	25,534	623,668	40.5%
Industrial/Commercial/Residential Lands	3,846	375	4,221	.3%
Mineral & Energy Lands	768,542	503	769,045	49.9%
Special Stewardship Lands	5,281	*8,563	13,844	.9%
<b>TOTAL</b>	<b>1,505,539</b>	<b>35,159</b>	<b>1,540,698</b>	<b>100%</b>

Table 2

LAND CLASSIFICATION	GAIN (ACRES)	LOSS (ACRES)	NET (ACRES)
Forestlands	565	216	349
Agricultural Lands		714	-714
Rangelands	2,521	232	2,289
Industrial/Commercial/Residential Lands	42	2,128	-2,086
Mineral & Energy Lands		78	-78
Special Stewardship Lands	916	725	191
Waterways	49		49



## School Lands Revenue Production Categories

The Real Property Program uses the following categories to assess current and potential revenue generated by school lands.

**Long-Term Potential.** School lands with strong potential to produce revenue over the long term (e.g., 10+ years). Less than 1% of school lands<sup>1</sup> have long-term potential.

**Near-Term Potential.** School lands with strong potential to produce revenue in the near term, defined as five years or less. Less than 1% of school lands<sup>1</sup> have near-term potential.

**Current Income Production.** School lands currently producing revenue for the Common School Fund, primarily through leases and other use authorizations as described in the next section of this report. About 87% of school lands<sup>2</sup> are currently producing income for the Fund.

**Minimal/No Income Production.** School lands that produce little or no annual income and have low likelihood of producing future income. Approximately 13.4% of school lands managed by the Department, excluding mineral and energy resource lands, are not currently generating revenue for the Common School Fund. The Elliott State Forest accounts for 10.8% of these lands.



*Rangeland Manager, Sheena Miltenberger, in the field*

<sup>1</sup> Excluding mineral and energy resource lands, the beds and banks of Oregon-owned waterways, and South Slough Reserve lands



The breakdown of production categories across all land classifications is presented in Table 3, excluding mineral and energy resource lands, the beds and banks of Oregon-owned waterways, and South Slough Reserve lands. Appendix B shows the three-year average net revenues across all land classifications.

Table 3

LAND CLASSIFICATION	PROPERTY REVENUE PRODUCTION (ACRES)				
	LONG-TERM POTENTIAL	SHORT-TERM POTENTIAL	CURRENT	MINIMAL/NO POTENTIAL	TOTAL
Forestlands	654	848	37,847	83,354	122,703
Agricultural Lands			7,212	5	7,217
Rangelands	3,065	2,386	614,694	3,523	623,668
Industrial/ Commercial/ Residential Lands	1,336	1,391	732	762	4,221
Special Stewardship Lands*			1,788	5,374	7,162
<b>TOTAL</b>	<b>5,055</b>	<b>4,625</b>	<b>662,273</b>	<b>93,018</b>	<b>764,971</b>

Note: Table excludes mineral and energy resource lands, Oregon-owned waterways, and South Slough Reserve lands. Property revenue production categories were updated along with land classification categories.

\*Approximately 1,700 acres of Special Stewardship lands in this table are islands within waterways, or other submerged and submersible lands that will be reclassified to Waterway in the future.







# SCHOOL LAND

## USE AUTHORIZATIONS

The Real Property Program works with ranchers, farmers, utilities, local governments, businesses, and more to issue leases, licenses, easements, and other authorizations for use of school lands. These uses of school lands benefit both the Common School Fund and local Oregon economies.

*Note: Authorization types are based on the intended use of the land rather than the land classification. For example, there may be grazing on forestlands, and communication sites placed on rangelands.*

### Leases

The Department currently has 157 active **forage leases**, managed in partnership with leaseholders who graze cattle and ranch horses on rangelands or forestlands. In FY22, forage leases accounted for \$569,238, or 43.9% of the Real Property Program’s income from authorizations.

**Special use leases** authorize a variety of uses on a mix of school land classifications. Currently these uses include agriculture, renewable energy (solar, wind, geothermal), communication sites, upland quarries, the collection of small products (gems, petrified wood, small forest products), and scientific research. Combined, all special use leases accounted for \$720,092, about 55.5%, of income generated from authorizations in FY22.

Communication leases make up the majority of special use leases (see Table 3). Communication leases allow placement of facilities on school lands to support cell phone service, internet service, emergency communications (911 or State police), as well as cable broadcast, radio broadcast and local radio users. The two-dozen school land communication leases are clustered in five locations, two of which are in Harney County. The Department is currently working on rulemaking to establish separate administrative rules for communications leases to allow for more efficient management.

**Agricultural leases** currently generate the greatest income per acre compared to other leases. While agricultural lands account for a small fraction of school lands (~1%), agricultural leases made up 25% of the Real Property authorization revenue in FY22, generating \$327,665. Most of these lands are located in eastern Oregon and are leased for alfalfa and row crops that may be rotated with corn.

Agricultural lands are typically the product of conversions from rangelands; however, conversions are limited and infrequent. The Department aims to keep agricultural lands in areas that already have agriculture present so as not to add unnecessary fragmentation to high- quality rangelands. The holding of water rights by the Department is a limiting factor in agricultural conversions.

## Easements

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

## Small-Value Permits

The Department administers permits for removal of **small products and gravel** from school lands. These permits, which provide little to no revenue to the Common School Fund, allow for activities such as firewood cutting or collection of small amounts of gravel. A no-fee authorization called a **short-term access agreement** is also available for activities such as educational or research projects, races and events, and collection of mineral or plant samples. These small-value permits require significantly less effort to issue than leases, licenses, and easements.





Table 4

AUTHORIZATION TYPE	LAND USE	NUMBER OF AUTHORIZATIONS	TOTAL ACRES	TOTAL REVENUE	PERCENTAGE TOTAL REVENUE
Forage Leases	Grazing	157	657,738	\$569,238	43.9%
Special Use Leases	Agriculture	12	4,984	\$327,665	25.3%
	ICR	2	402	\$161,450*	12.5%
	Communications	24	Nominal	\$119,960	9.3%
	Geothermal	1	4,438	\$0**	0.0%
	Hard Mineral	2	659	\$92,500	7.1%
	Upland Quarry	2	10	\$0	0.0%
	Recreation	6	80.8	\$4,217	0.3%
	Solar	3	1,325	\$10,800	0.8%
	Miscellaneous	11	5,900	\$3,500	0.3%
Oil & Gas	Oil & Gas	2	Nominal	\$1,718	0.1%
Easements	Easements	4	Nominal	\$0	0.0%
Permits	Small Products, Gravel Removal & Hauling Permits	14	N/A	\$5,800	0.4%
<b>TOTAL</b>		<b>238</b>	<b>675,537</b>	<b>\$1,296,850</b>	<b>100%</b>

Note: Acres may be double counted due to multiple authorizations on the same property.

\*This total is for authorizations issued by the Real Property Program and does not include income from the leasing of space in the Department's Salem building.

\*\* The Department has not received payment for a geothermal authorization worth approximately \$22,000 in revenue. The lease is currently being finalized and will include a two-year payment due to extended lease negotiations.



# FORESTLANDS

The Department's 33,000 acres of certified forests are managed and harvested by the Oregon Department of Forestry (ODF) on behalf of DSL. In FY22, ODF reported total timber sale revenue of \$3.21 million, with \$1.80 million in net revenue. ODF is currently working through the final stages of the "Western Oregon State Forests Habitat Conservation Plan," a management plan that will enable ODF to comply with the federal Endangered Species Act, while managing state forests for economic, environmental, and social benefits. The management plan will cover all ODF and DSL forestlands west of the Cascades, excluding the Elliott State Forest, which is on track to become the Elliott State Research Forest covered by a distinct habitat conservation plan, forest management plan, and operations plans.

DSL manages 8,500 acres of **noncertified forestlands**. Noncertified forests are maintained to improve wildfire resiliency, forest health, wildlife habitat, or grazing opportunities. Though these lands are not managed for timber production, the Department issues some authorizations for use of these lands, including grazing, special use leases, easements, short-term access agreements, hauling permits and firewood cutting permits. In FY22, noncertified forests had about \$17,000 in revenue and \$109,000 in expenditures. Most of the expenditure increase from FY21 was from a 107-acre fuels reduction and forest health improvement project on the Wilt Road parcel near Sisters. This project helped protect the property by reducing wildfire risk, increased ponderosa pine health resiliency to drought and bark beetles, and improved mule deer winter range habitat.

The approximately 82,500-acre **Elliott State Forest** generates no revenue for the Common School Fund. Timber harvests, which previously provided revenue to the Fund, were halted in 2012 following a lawsuit regarding federal Endangered Species Act compliance. Costs associated with forest management include ongoing road maintenance, reforestation expenses, and efforts to create an Elliott State Research Forest. Elliott-related expenses to the Common School Fund were \$2.1 million in FY22, impacting the overall financial performance of school forestlands, and ultimately the financial performance of the entire Real Property Program.

The Elliott's financial obligation to the Common School Fund was satisfied in FY22. A down payment of \$100 million was made to the Common School Fund in 2019, through sale of legislatively approved bonds. In 2022, the Legislature provided the remaining \$121 million in general funding to satisfy the Elliott's Common School Fund obligation. *See the Future Projects and Priorities section for additional information about the in-progress Elliott State Research Forest work with Oregon State University.*

Beyond the Elliott, the Department continues to explore options to address the revenue challenges associated with managing forestlands. Part of this work during FY22 included proposing the decertification of forestlands in the Klamath District to reduce costs and increase revenue on certified forestlands. The decertification process required both State Land Board and Board of Forestry approval, and results in the Department regaining management authority over the decertified forestlands. Work done in FY22 included a financial analysis of the performance of the forestlands in the Klamath District, and extensive coordination with ODF to propose decertification of those forestlands. *See the Future Projects and Priorities section for additional information about the in-progress Klamath District forestland decertification.*





# LAND TRANSACTIONS

Sale and exchange of school lands, as well as release of mineral resource rights for school and other state-managed lands, provide income to the Common School Fund. Income from land sales and mineral releases can range from just a few hundred dollars to many millions of dollars. The Real Property Program's land transaction work includes:

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

**Selling or exchanging lands with minimal income potential.** Non-ICR lands are sometimes sold or exchanged when parcels have minimal or no potential to produce income for the Common School Fund or when an individual or entity approaches DSL to request the transaction. In such cases, following a due diligence review, the Department may request Land Board approval of the land sale.

**Administering release of mineral resource rights.** The Department also processes requests to release rights to mineral resources for other state agencies identified in statute. Income from those releases goes to the Common School Fund.

Proceeds from all school land sales are deposited in an account within the Common School Fund called the Land Sale Revolving Fund (per ORS 273.413). This fund, which contains approximately \$41 million, may be used only to acquire additional lands or other suitable investments, as directed by the State Land Board in consultation with the Oregon Investment Council. Because funds may only be drawn for acquisitions, land sale expenses – such as operating costs and improvement and maintenance spending – are currently reported in the ICR land classification. This skews the income and expenditures for the ICR classification.

## Industrial, Commercial, and Residential Transactions

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

Acquisition of “in-lieu lands focuses on ICR properties and forestland properties. The Act of Congress admitting Oregon to the union provided sections 16 and 36 of every township as school lands. Some of those sections were already settled, leaving Oregon owed school lands “in lieu” of the unavailable sections. The federal government has partially satisfied its obligation to provide Oregon with in-lieu lands, with approximately 1,400 acres of federal land still owed.

Planning and development of two ICR properties acquired as “in-lieu” lands from the Bureau of Land Management is helping to add a mix of housing and economic opportunities to Deschutes County.

**The Stevens Road Tract** is a 642-acre tract located near the Bend urban growth boundary. In 2016, a 382-acre parcel of the tract was incorporated into the city's urban growth boundary. The parcel was sold to Lands Bend Corp. in November 2020 for \$22 million, allowing the development of a mix of housing, businesses, and other uses. In 2021 the Legislature passed House Bill 3318, providing the opportunity to bring the remaining 261 acres into Bend's Urban Growth Boundary. The bill requires that the resulting development be a complete community that includes affordable and workforce housing as part of walkable neighborhoods. The bill also requires at least six net acres of the property be affordable housing made available in a manner that gives a priority to households in which at least one individual is employed by an education provider. This is a first in Oregon. DSL worked with the city to develop a Concept Plan demonstrating how future development of the remaining Stevens Road acres can help meet Bend's critical need for more affordable and middle-income housing.

**The South Redmond Tract** is a 945-acre tract that is fully incorporated into the city of Redmond urban growth boundary as a "large lot industrial" zoned property. The large lot industrial zoning allows for industrial development on a parcel that is 200 acres or larger. To date the Department has contracted for engineering, design, and construction of utilities and a street segment to prepare the property for development. In April 2021, a 20-acre parcel of the tract was sold to the Oregon Military Department for \$1.6 million. The Military Department is developing a readiness center on this property, which will serve as a training facility for the National Guard and emergency center for events like natural disasters. The Department is also working with Deschutes County to exchange a portion of the tract, which will allow the County to expand its fairgrounds. No further transactions will occur on the tract until the Department has met requirements of the large lot industrial zoning designation and sold a parcel 200 acres or larger. Once a 200-acre lot is sold, the Department will then be able to partition and sell smaller lot sizes such as 50 or 100 acres. Sale of a 200-acre lot is currently in process.



*Juniper growing on the South Redmond Tract*

### Other Land Transactions

The only non-ICR property sold in FY22 was the sale of 21 acres of mineral rights within the city of Salem to enable the development of multi-family and single-family housing. DSL, on behalf of South Slough National Estuarine Research Reserve, acquired approximately 1.14 acres from the Coos County Forestry Department to bring the public entrance to South Slough Reserve into state ownership, rather than continuing to obtain access through an easement. The acquisition allowed the Reserve to immediately improve property conditions, thereby increasing visibility and reducing wildfire risk. The Reserve is also now positioned to submit future grant proposals to create a welcoming and fully accommodating entrance.





# FINANCIAL PERFORMANCE

## OF SCHOOL LANDS AND ASSETS

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

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

**Total Annual Revenue.** Annual revenue measures earnings obtained from Real Property Program management activities, excluding land sales. In FY22, total annual revenue was approximately \$5.5 million, about \$616,000 more than FY21.



*Range Team in the Field*

This measurement does not include land sales, which would have added approximately \$1.35 million in FY22 due primarily to the sale of the South Tongue Point property, approximately 83 acres on the Columbia River in Astoria. Columbia Land Trust purchased the property for the benefit of Clatsop Community College, thereby creating future opportunities to expand the college's marine environmental educational program with a living laboratory.

**Return on Asset Value.** Return on asset value measures return compared to land value. This measurement is calculated based on market values, annual operating expenditures, and total annual revenues generated. For this report land values for FY21 were used.

Appendix C shows the estimated market value for forestlands, agricultural lands, rangelands, and ICR lands managed by the Real Property team, as well as these land classifications combined. In FY22, the return on asset value for all land classifications increased from an average of  $-.008\%$  to an average of  $-.004\%$ , not including land transactions. When factoring in land sales the average return on asset value is  $.002\%$ . The Program also tracks changes in return on asset value over the past ten years, anticipating fluctuations in measures over time. Appendix D shows the fluctuations in return on asset value for the last ten years. Since 2017, the return on asset value has remained generally steady, increasing or decreasing by  $0.5\%$  to  $1\%$ . In the next asset management plan, the Department anticipates no longer using land values in measuring program success. Without land values significantly decreasing, or revenues significantly increasing, increasing the return on asset value is not feasible.



**Annual Change in Net Operating Income.** Net operating income measures total revenue minus operating expenditures<sup>3</sup>. In FY22, the overall net operating income increased by \$235,046, but remained in the negative due to:

- Continued fire protection costs coupled with expenses incurred from the Elliott State Forest. Without the expenses from the Elliott, FY22 net operating income would be \$2.05 million.
- The Elliott State Forest continues to affect overall financial performance of forestlands as well, though certified forestlands continue to perform well. In FY22, the net operating income for forestlands increased about \$60,000 but still had an overall negative net operating income of \$364,032.
- Rangelands saw a slight increase in net operating income compared to FY21 even with a 25% reduction in grazing fees due to drought conditions.
- Annual revenue does not include income from land sales.
- Mineral and energy resource authorizations impacted overall net operating income. A lease renewal is currently being negotiated for a geothermal authorization, which left the mineral category \$22,000 short.

**Annual Land Value Appreciation.** FY21 data were used for this report; staff determined land values did not change significantly during the past year.



*Diatomaceous earth mining Facility on school lands in Drewsey, OR*

<sup>3</sup> Operating cost totals do not include expenses for maintenance and improvements to school lands because these expenditures preserve or increase the value of the land and are considered capital improvements.





# FUTURE PROJECTS

## AND PRIORITIES

The Real Property Program continues to manage Oregon's school lands with a commitment to growing revenue for the Common School Fund and Oregon schools. DSL's five-year Strategic Plan provides a foundation for strategic work, establishing Department-wide goals and progress metrics that are advanced by program-level projects. Real Property Program projects in the 2022-2026 Strategic Plan include the following priority projects:

**Updating the School Lands Asset Management Plan.** The previous 2012 Real Estate Asset Management Plan is due to be updated. COVID-related economic unpredictability and changing markets affected previous update efforts. The Department is actively working to develop a new asset management plan, which is anticipated to be before the State Land Board for consideration in October 2023. Creating this new plan will allow DSL to identify effective strategies and procedures for ongoing management and stewardship of school lands over the next decade. The Department presented an informational item to the Land Board in June 2022 that included a final performance report on the previous plan, as well as an overview of the proposed approach, process, and timeline for developing the new plan. Plan development includes, among other things, meaningful engagement with stakeholders and the public.

**Planning High-Yield Industrial, Commercial, and Residential Projects.** The Real Property Program will continue work to improve and sell several existing ICR properties.

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

**Rulemaking for Communication Leases.** Currently, communication leases are authorized through DSL's special use administrative rules (Division 125). Communication leases are a unique subset of leases that have generated a large workload for the program. Having a set of rules to specifically address communication leases will provide a more streamlined leasing process, keep pace with a rapidly changing industry, and update lease fees. The Department expects to finalize the new specific communication lease rules (Division 126) in early 2023. DSL is currently responding to significant comments received during the public review period in summer 2022.

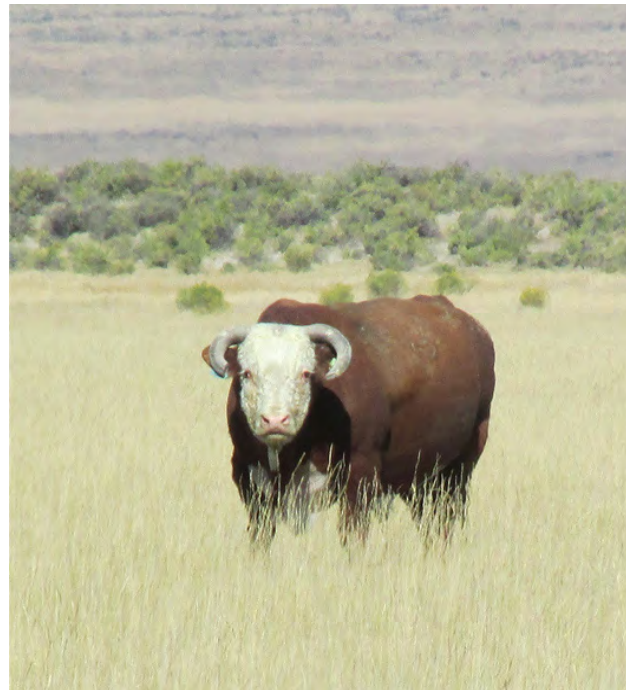


**Rulemaking for Special Use Leases.** Following the completion of the communication lease rules, the Real Property team will turn their focus to updating special use lease rules (Division 125). Updates will modernize compensation fees and create a rule structure outside of a short-term access agreement to address smaller uses with appropriate fees. In addition to updating existing special use lease rules, the changes will also create a new set of rules specific to renewable energy leasing. Because Division 125 rules cover a wide variety of topics, many Department staff, including staff from the Aquatic Resource Management Program, will participate in the update process.

**Identifying Opportunities for Revenue Generation.**

Approximately 1.27% of school lands are classified as having short-term or long-term potential to generate revenue through future authorizations. The Real Property team will continue to actively evaluate future opportunities to manage those lands and improve revenue performance. During this examination, parcels deemed unlikely to yield funds for the Common School Fund will be reclassified as having minimal or no revenue potential and shifted into the pool of acres to be evaluated for possible sale or exchange.

**Analysis of Lands for Renewable Energy.** The state's goal to go carbon neutral by 2040 provides a unique opportunity to increase school lands revenue through renewable energy developments such as solar, wind or geothermal energy. This has been identified as a high priority for the Real Property Program through the Strategic Plan. The number of school acres being leased for solar energy have slowly increased, namely in Lake and Deschutes Counties. The Oregon Department of Energy has created a mapping tool that will aid analysis of school lands for potential renewable energy resources. While being proactive with this Strategic Plan project, the Real Property Program has also been reactive to renewable energy lease requests as they come in and is currently reviewing a new proposal for a solar installation.



*Bull at Bluejoint Lake, Lake County, Oregon*

**In-Lieu Selections with the Bureau of Land Management.** The federal government still owes the state of Oregon approximately 1,400 acres of federal lands “in-lieu” of school lands not granted upon statehood. In a Memorandum of Understanding with the Bureau of Land Management, the Department has identified forestlands or ICR lands as priority in-lieu acquisitions. The Department submitted applications in 2020 for parcels totaling more than the remaining 1,400 acres, with the expectation that some of the parcels will become unavailable or may have less potential for Common School Fund revenue generation upon closer review. There are 240 acres of forestlands in western Oregon actively being studied by the BLM for transfer to DSL. It is expected that 160 of these forest acres will be simple to transfer, but 80 acres have potential concerns with cultural resources. The transfer of these forestlands is expected to be complete in January 2024.

There are also several ICR parcels in Central Oregon the Department is pursuing. These properties are all managed out of the Prineville BLM office and do not have any completed cultural or environmental studies. The Department is planning to help contract for cultural resources studies to move the process forward.



**Establish the Elliott State Research Forest.** The Department continues to work collaboratively with Oregon State University toward creation of an Elliott State Research Forest, which will achieve the State Land Board's vision of the Elliott as public forest that has completed its contribution to schools but will continue to contribute as a research forest. The Oregon Legislature in 2022 passed SB 1546, which establishes an independent public agency to oversee the forest, sets expectations for public accountability and transparency, and locks in the Elliott's ongoing contributions to conservation, economic growth, recreation, education, and forest research. The Department anticipates the new Elliott State Research Forest Authority will begin overseeing the forest on January 1, 2024. The Prospective Board of Directors for the Authority was appointed by the Land Board at its December 13, 2022, meeting. The Department has appointed a Transition Director to work with the Prospective Board to complete the obligations of SB 1546 and to assist in standing up the Authority as a new state agency.

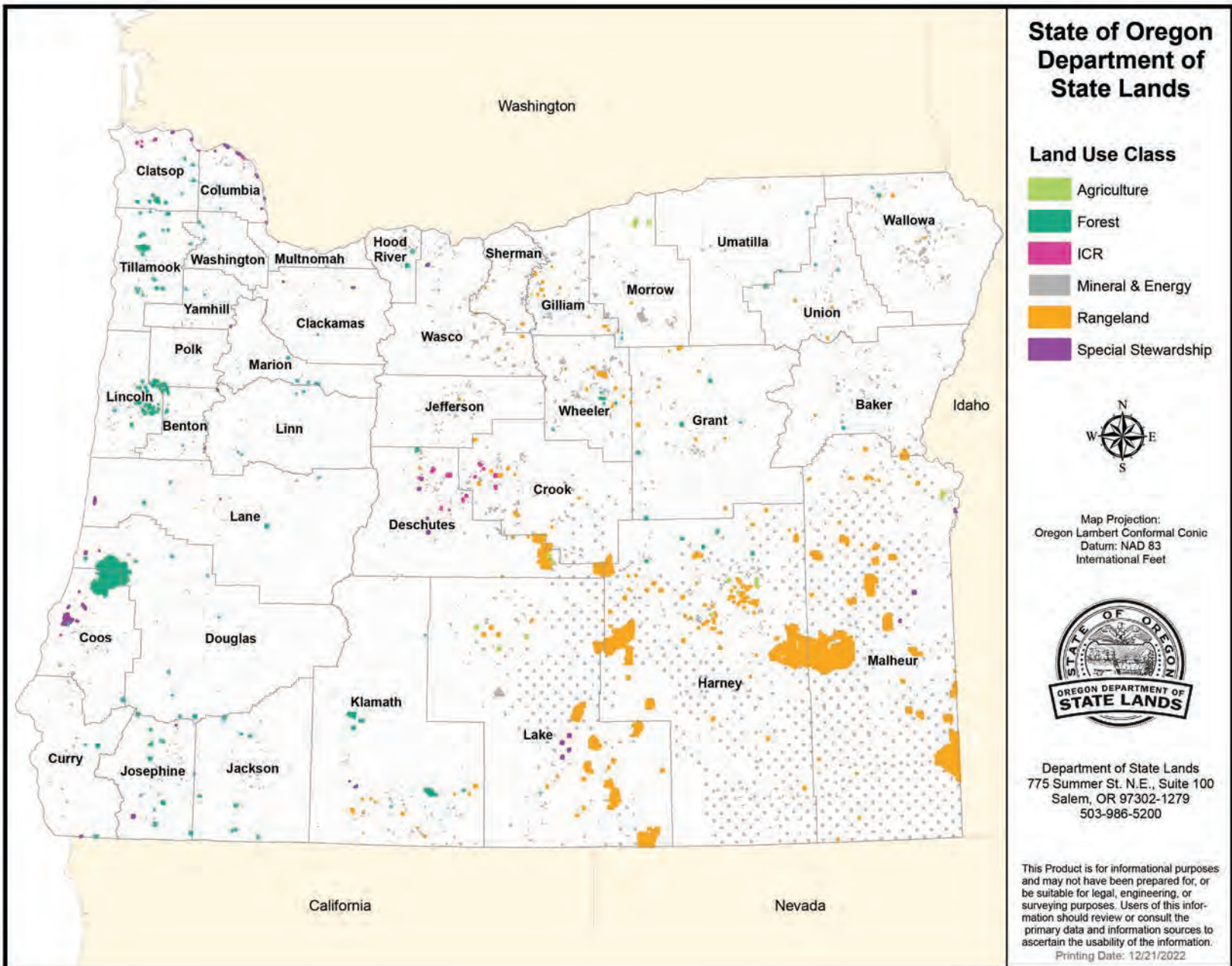


*Overlooking the Elliott State Forest*

**Evaluation of Certified Forestlands.** Identifying opportunities to improve the financial performance of certified forestlands remains a priority for the Department. In 2019, DSL hired a forester who began the process of evaluating management costs of high-priority forestlands. In June 2022, with the support of the State Land Board and the Board of Forestry, DSL decertified 4,907 acres of forestland in the Klamath District with an additional 1,920 acres to be decertified at a later date. See Appendix F for the ODF decertification resolution. The Klamath properties lost more than \$225,000 annually between fiscal years 2017 and 2021. This is due to poor timber markets, low-value species mix, and low volume-per-acre harvests. Much of the future management needs will be for forest health improvement and fuels reduction thinning. ODF has been managing these forestlands effectively; however, due to low productivity and few near-term harvest opportunities, the 6,827 acres of forestland in the Klamath district were optimal for decertification. These lands will fit into a larger portfolio of forestlands east of the Cascade Range managed by the Department as noncertified forestlands. This decision should reduce certified forestland costs up to 15% on an annual basis.



## APPENDIX A





## APPENDIX B

### FY2021-FY2022 Real Property Revenues, Expenditures (Direct only) and Net Operating Income by Land Class

LAND CLASSIFICATION	FISCAL YEAR 2020			FISCAL YEAR 2021			FISCAL YEAR 2022			3- YEAR AVG. ANNUAL NET OPERATING INCOME
	GROSS REVENUE	EXPENDITURES	NET OPERATING INCOME	GROSS REVENUE	EXPENDITURES	NET OPERATING INCOME	GROSS REVENUE	EXPENDITURES	NET OPERATING INCOME	
Agricultural Land	\$334,954	\$145,408	\$189,546	\$360,002	\$150,302	\$209,700	\$337,531	\$161,765	\$175,765	\$191,670
Rangeland	\$806,405	\$471,706	\$334,699	\$725,829	\$699,582	\$26,247	\$694,826	\$651,837	\$42,989	\$134,645
ICR	\$1,252,109	\$1,151,352	\$100,757	\$1,091,690	\$1,168,477	(\$76,787)	\$1,142,550	\$1,051,418	\$91,131	\$38,367
Forestland	\$2,621,879	\$3,560,834	(\$938,955)	\$2,596,568	\$3,020,405	(\$423,837)	\$3,223,572	\$3,587,604	(\$364,032)	(\$575,608)
Mineral & Energy Resource	\$132,193	\$42,195	\$89,998	\$33,463	\$58,319	(\$24,856)	\$97,256	\$52,494	\$44,762	\$36,635
Special Stewardship	\$26,479	\$109	\$26,370	\$40,182	\$7,498	\$32,684	\$2,967	\$15,385	(\$12,418)	\$15,545
Totals	\$5,174,019	\$5,371,604	(\$197,585)	\$4,847,734	\$5,104,583	(\$256,849)	\$5,498,701	\$5,520,504	(\$21,803)	(\$158,746)
Totals Without Forestlands	\$2,552,140	\$1,810,770	\$741,370	\$2,251,166	\$2,084,178	\$166,988	\$2,275,129	\$1,932,900	\$342,229	\$416,862

LAND CLASSIFICATION	FISCAL YEAR 2020			FISCAL YEAR 2021			FISCAL YEAR 2022			3- YEAR AVG. ANNUAL NET OPERATING INCOME
	GROSS REVENUE	EXPENDITURES	NET OPERATING INCOME	GROSS REVENUE	EXPENDITURES	NET OPERATING INCOME	GROSS REVENUE	EXPENDITURES	NET OPERATING INCOME	

## FORESTLANDS BREAKDOWN (numbers not inclusive of land sales revenue/expenditures)

Certified Forestlands	\$2,604,064	\$1,632,336	\$971,728	\$2,571,257	\$1,549,009	\$1,022,248	\$3,206,397	\$1,407,441	\$1,798,956	\$1,264,311
Elliott State Forest	\$0	\$1,837,165	(\$1,837,165)	\$0	\$1,406,618	(\$1,406,618)	\$0	\$2,070,953	(\$2,070,953)	(\$1,771,579)
Noncertified forestlands	\$17,815	\$69,266	(\$51,451)	\$25,311	\$64,778	(\$39,467)	\$17,175	\$109,210	(\$92,035)	(\$60,984)
Real Property Total Without Elliott State Forest	\$5,174,019	\$3,534,439	\$1,639,580	\$4,847,734	\$3,697,964	\$1,149,770	\$5,498,701	\$3,449,551	\$2,049,150	\$1,612,833



## Appendix C

### FY 2022 Market Value and Performance by Land Class

LAND CLASSIFICATION	TOTAL ACRES	APPROXIMATE MARKET VALUE (MILLIONS)	% OF TOTAL MARKET VALUE	ANNUAL NET OPERATING INCOME (NOI)	RETURN ON ASSET VALUE (ROAV)
Forestlands: Certified Forest	33,000	\$87.3 - 96.0 <sup>(2)</sup>	16%	\$1,798,956	1.96%
Forestlands: Noncertified Forest	8,500	\$18.5 – 20.4 <sup>(2)</sup>	3.4%	(\$92,035)	(0.47%)
Forestlands: Elliott State Forest	82,500	\$220.8 <sup>(1)</sup>	38.6%	(\$2,070,953)	(0.93%)
Agricultural Lands	7,200	\$16.9 - 18.8 <sup>(3)</sup>	3%	\$175,765	.98%
Rangelands	624,000	\$166.7 – 185.2 <sup>(4)</sup>	31%	\$42,989	0.02%
ICR Lands	4,200	\$43.8 – 48.2 <sup>(5)</sup>	8%	\$91,131	0.20%
Special Stewardship Lands	13,800	(6)	-	(\$12,418)	
Mineral and Energy Resources	769,000	(6)	-	\$44,762	
Totals	1,542,200	\$572	100%	(\$21,803)	(0.004%) <sup>(7)</sup>
Totals with Land Sales	1,542,200		100%	\$1,365,200	.002%

#### Notes:

(1) Final appraised value as determined by a Department-contracted appraisal process in 2016.

(2) Values reported in the FY 2011 Annual Report, using the per-acre equivalent. These are the most recent estimated values and were based on comparable timberland sales conducted at that time.

(3) Value estimate is based on figures provided by USDA's report on land sales of Oregon's farmland. The 2021 average price for Oregon's farmland is \$2790 per acre as determined by USDA which collects land sales information. This includes all types of farming from dry farming to irrigated produce farming which is very lucrative. Irrigated farmland sales reflect values of \$3,000 to \$10,000 per acre in the areas in which DSL owns agricultural land. DSL's agricultural land has water rights but does not own the irrigation equipment, so the USDA average value has been adjusted from \$2,500 to \$3,800 per acre for the irrigated land values.

(4) Rangeland values rose dramatically this year after a much more moderate increase last year. Blocked ranch values per acre rose this year (\$500-\$1000 per acre for ranches over 3,000 acres with recreational appeal is typical) but can take years to market successfully with a very limited number of these selling annually. Individual properties with smaller acreage average around \$220 to \$500 per acre. An average individual tract value was designated for each county. DSL's rangeland ownership would take over 50 years to sell and would depress rangeland values because of the large supply. To reflect this, a discount of 30% to 35% has been used to create the value range.

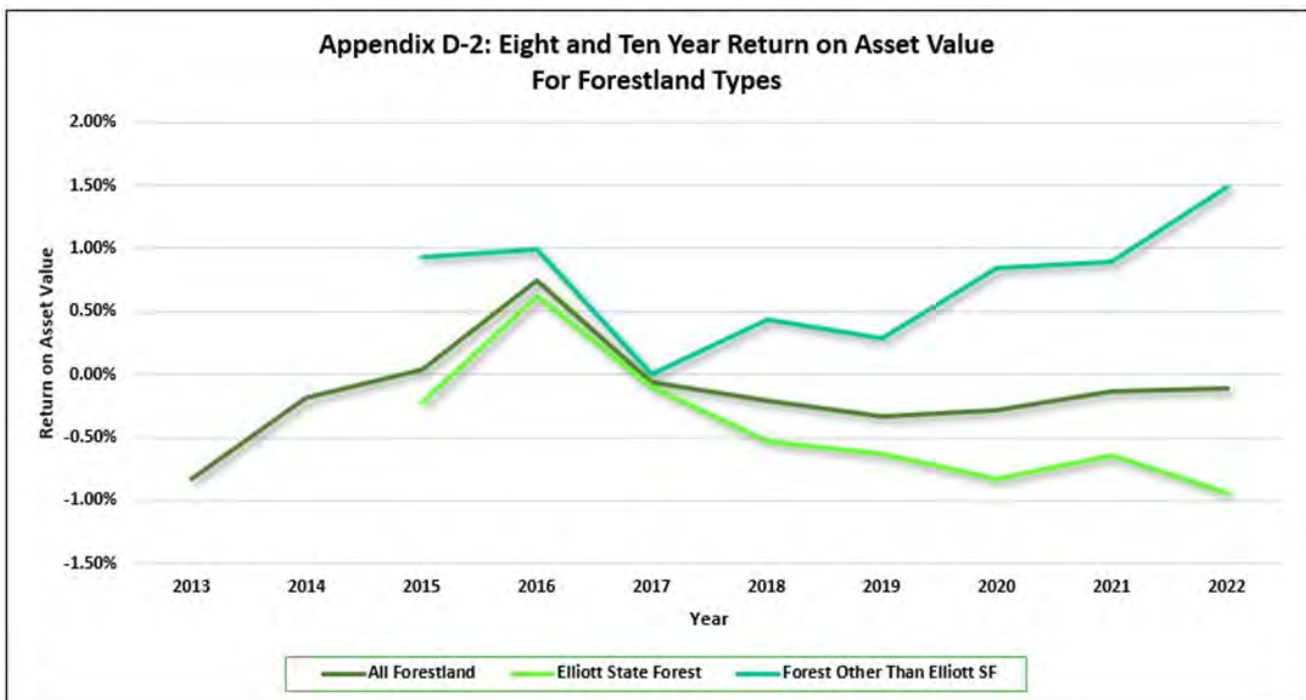
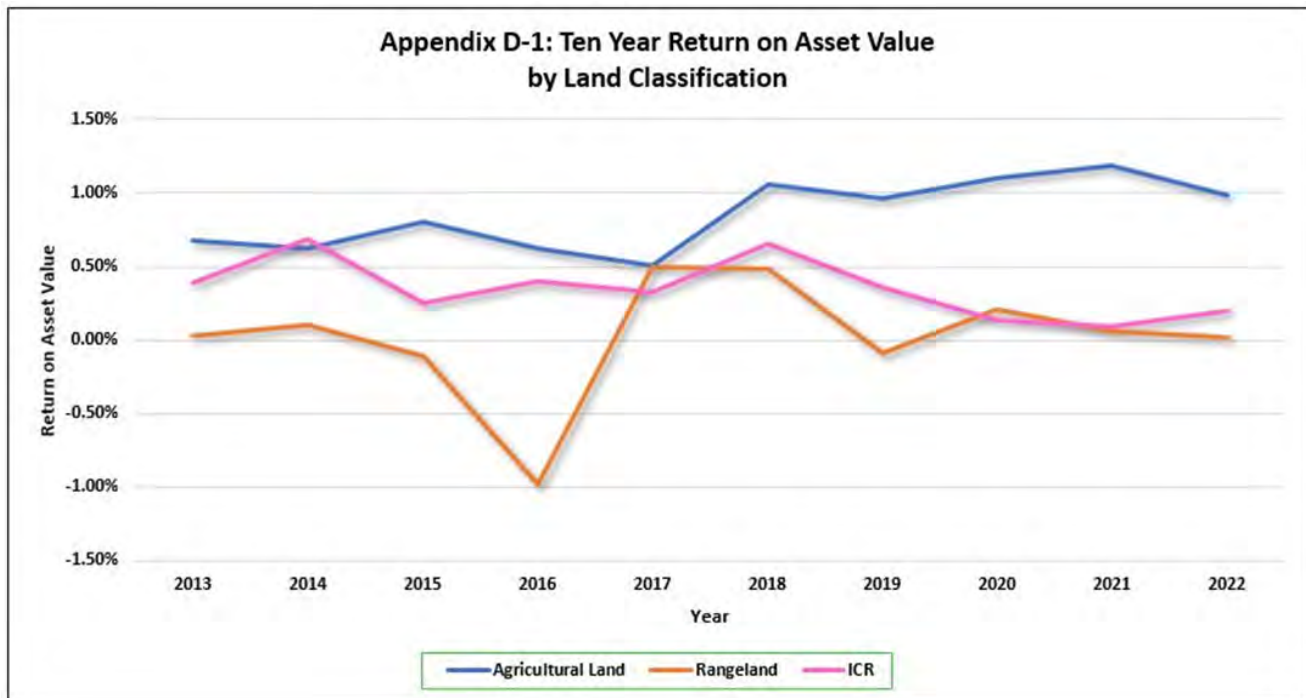
(5) Each property was valued individually through research of comparable sales properties.

(6) Data not available.

(7) Special Stewardship lands cover a wide spectrum of land types that typically have endangered plant species or an unusually well-preserved type of property that are difficult to value. Similarly, valuation of subsurface minerals and energy resources are very difficult to value and much of the subsurface minerals are also tied to DSL-owned surface rights. For these reasons, the return on asset value has not been reported for these categories.



## Appendix D



Note: No data available for Elliott State Forest and Forest Other Than Elliott SF apart from All Forest Land prior to 2015.



## Appendix E

### FY 2022 Land Classification Changes

		TO LAND CLASSIFICATION						
		FOREST- LANDS	AGRICULTURAL LANDS	RANGE- LANDS	INDUSTRIAL/ COMMERCIAL/ RESIDENTIAL LANDS	MINERAL & ENERGY LANDS	SPECIAL STEWARDSHIP LANDS	TOTAL LOSS
FROM LAND CLASSIFICATION	FORESTLANDS			194			22	216
	AGRICULTURAL LANDS			574	42		98	714
	RANGELANDS	232						232
	INDUSTRIAL/ COMMERCIAL/ RESIDENTIAL LANDS	255		1,077			496	2,128
	MINERAL & ENERGY LANDS	78						78
	SPECIAL STEWARDSHIP LANDS			676				725
	TOTAL GAIN	565		2,521	42		916	

PARCEL NUMBER	ORIGINAL LAND CLASSIFICATION	LAND CLASSIFICATION CHANGED TO:	ACRES	RATIONALE FOR LAND CLASSIFICATION CHANGE:
2966	Agriculture	Rangeland	38	No Ag potential, meets Rangeland definition
2972	Agriculture	Special Stewardship	2	No lease potential- 2 acres in stream bottom
239	Agriculture	Rangeland	77	Currently under grazing lease, not an agriculture lease



PARCEL NUMBER	ORIGINAL LAND CLASSIFICATION	LAND CLASSIFICATION CHANGED TO:	ACRES	RATIONALE FOR LAND CLASSIFICATION CHANGE:
40	Agriculture	Special Stewardship	30	Not under agricultural lease-Island in Snake River
64	Agriculture	Rangeland	263	Not agricultural land
63	Agriculture	Rangeland	38	Not agricultural land
3230	Agriculture	ICR	42	Not farmed-parcel adjacent to development on bank of Columbia River
576	Agriculture	Special Stewardship	10	Not under agricultural lease-Island in Snake River
3186	Agriculture	Special Stewardship	56	Not under agricultural lease-Island in Snake River
1168	Agriculture	Rangeland	158	There is an active forage lease on this property.
342	Forest	Rangeland	79	No marketable timber, meets Rangeland definition
441	Forest	Rangeland	115	Does not meet Forest definition-does meet Rangelands definition
1340	Forest	Special Stewardship	22	Property mostly sand dunes. Does not meet forest definition
449	ICR	Forest	21	Does not meet ICR definition, but close enough to rural-residential to warrant retained subclass as ICR
549	ICR	Rangeland	639	Currently under grazing lease, property close to rural-residential development
2790	ICR	Rangeland	79	Currently under grazing lease, property close to rural-residential development
141	ICR	Special Stewardship	216	Rare, endemic plant species located on property
2666	ICR	Rangeland	40	Potential for grazing, meets rangeland definition
265	ICR	Rangeland	236	Currently under grazing lease, property close to rural-residential development
2559	ICR	Rangeland	42	Potential for grazing, meets rangeland definition
757	ICR	Special Stewardship	532	Only use/value in recreation, adjacent to Owyhee Lake
329	ICR	Forest	29	Property is forested, close to rural-residential development

PARCEL NUMBER	ORIGINAL LAND CLASSIFICATION	LAND CLASSIFICATION CHANGED TO:	ACRES	RATIONALE FOR LAND CLASSIFICATION CHANGE:
2411	ICR	Forest	203	Property is forested, close to rural-residential development
2917	ICR	Forest	2	Property is forested, not near developments
3217	ICR	Special Stewardship	42	Minimal potential for timber or lease-near Willamette R. and Wheatland Ferry
2755	ICR	Rangeland	41	Does not meet ICR definition
2913	ICR	Special Stewardship	6	Does not meet ICR definition, consistent with other properties that are similar in character and use.
1450	Rangeland	Forest	38	Meets forestland definition
544	Rangeland	Forest	156	Meets forestland definition
2773	Rangeland	Forest	38	Meets forestland definition
3009	Special Stewardship	Waterway	49	Property inundated with water, on Columbia River
161	Mineral Energy	Forest	39	Oil/Gas Lease closed in 2009 - Parcel is Certified Forest
162	Mineral Energy	Forest	40	Oil/Gas Lease closed in 2009 - Parcel is Certified Forest



## Appendix F

### Resolution Regarding Klamath



Oregon

Tina Kotek, Governor

RECEIVED

JAN 13 2023

DEPARTMENT OF STATE LANDS

Department of Forestry  
State Forests Division  
2600 State St  
Salem, OR 97310-0340  
503-945-7200  
[www.oregon.gov/ODF](http://www.oregon.gov/ODF)

January 11, 2023

In reply refer to:  
311.37172

The Honorable Shemia Fagan  
Secretary of State for the State of Oregon  
900 Court Street NE,  
Capitol Room 136  
Salem, OR 97301

COPY

Dear Secretary Fagan:

On November 16, 2022, pursuant to ORS 530.470(2), the Board of Forestry adopted the enclosed resolution, ensuring all statutory duties were fulfilled with respect to reclassification of certain lands in Klamath County, Oregon, removing them from Common School Forest Land designation, consistent the State Land Board's earlier action this year on August 9, 2022. In accordance with the statutory requirement in ORS 530.480, a copy of the Board of Forestry's Resolution is being provided to you, with copy to DSL.

Consistent with the practice of the State Land Board and Board of Forestry to have each body adopt resolutions to achieve these results as recommended by the Department of Justice, the Board of Forestry has adopted a formal resolution pursuant to ORS 530.470(2).

Pursuant to the State Land Board action and the Board of Forestry's resolution and order herein, consistent with the Department of State Lands Staff Report to you, these lands will change designation effective July 1, 2023.

Sincerely,

Eric TenBrook  
Land Specialist  
State Forests Division  
Oregon Department of Forestry  
(503) 945-7190  
[eric.tenbrook@oregon.gov](mailto:eric.tenbrook@oregon.gov)

EJT  
Enclosure

cc: Vicki Walker, Director, Oregon Department of State Lands

COPY

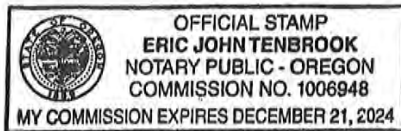
CERTIFICATION

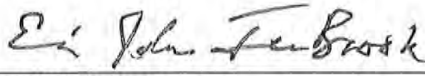
I, Cal Mukumoto, State Forester of the Oregon State Department of Forestry and Secretary of the Oregon State Board of Forestry, do certify that the attached is a true and correct copy of the Resolution and Order of the Oregon State Board of Forestry made at its regular meeting held on Nov 16, 2022, which pertains to the decertification of certain state-owned forest lands under provisions of ORS 530.470.

  
Cal Mukumoto, Secretary

STATE OF OREGON       )  
                                  ) ss.  
County of Marion       )

Signed and sworn to before me this 3<sup>rd</sup> day of January, 2023 by Cal Mukumoto.



  
Notary Public for Oregon  
My Commission expires: 12/21/2024

AGENDA ITEM B  
Attachment 3  
Page 1 of 1



**BEFORE THE OREGON  
BOARD OF FORESTRY**

In the Matter of the Decertification	)	<b>ORDER</b>
of 4,907 acres in Klamath-Lake District	)	RECLASSIFYING
as Common School Forest Lands	)	COMMON SCHOOL
	)	FOREST LANDS

WHEREAS, ORS 530.460, 530.470 and 530.480 provide a process for identifying, certifying and decertifying Common School Forest Lands, which are primarily suited for growing timber and other forest products; and

WHEREAS, by separate resolution each board is required to so designate and set aside such lands;

WHEREAS, ORS 530.470(2) states that any lands so designated and set aside may, at any time, be returned to their original status by similar actions of said agencies, if said lands are to be used for higher and better use for the general public, including the sale of said lands where lawful;

WHEREAS, on August 9, 2022, the State Land Board voted to decertify 4,907 acres, more or less, of Common School Forest Lands in Oregon Department of Forestry's Klamath-Lake District, to be effective July 1, 2023;

WHEREAS, in order to ensure all necessary statutory actions have been completed by both Boards, the Board of Forestry finds it proper to adopt a concurring resolution and order decertifying these same 4,907 acres from those held as Common School Forest Lands, effective July 1, 2023.

NOW, THEREFORE, IT IS HEREBY RESOLVED AND ORDERED by the Board of Forestry that the 4,907 acres of forestland parcels identified in the Department of State Lands Staff Report to the State Land Board of August 9, 2022 (DSL Staff Report), Appendices A through E, previously ordered to be decertified by the State Land Board on August 9, 2022 (effective July 1, 2023), also be ordered decertified by this Board pursuant to ORS 530.470(2) and returned to their original status effective July 1, 2023. The DSL Staff Report Appendices A through E are attached hereto and incorporated by reference...

The State Forester, as Secretary of this board, is hereby directed to send a copy of this Resolution and Order to the Director of the Department of State Lands and the Secretary of State.

Adopted by the Board of Forestry at its meeting on November 16, 2022

State Board of Forestry

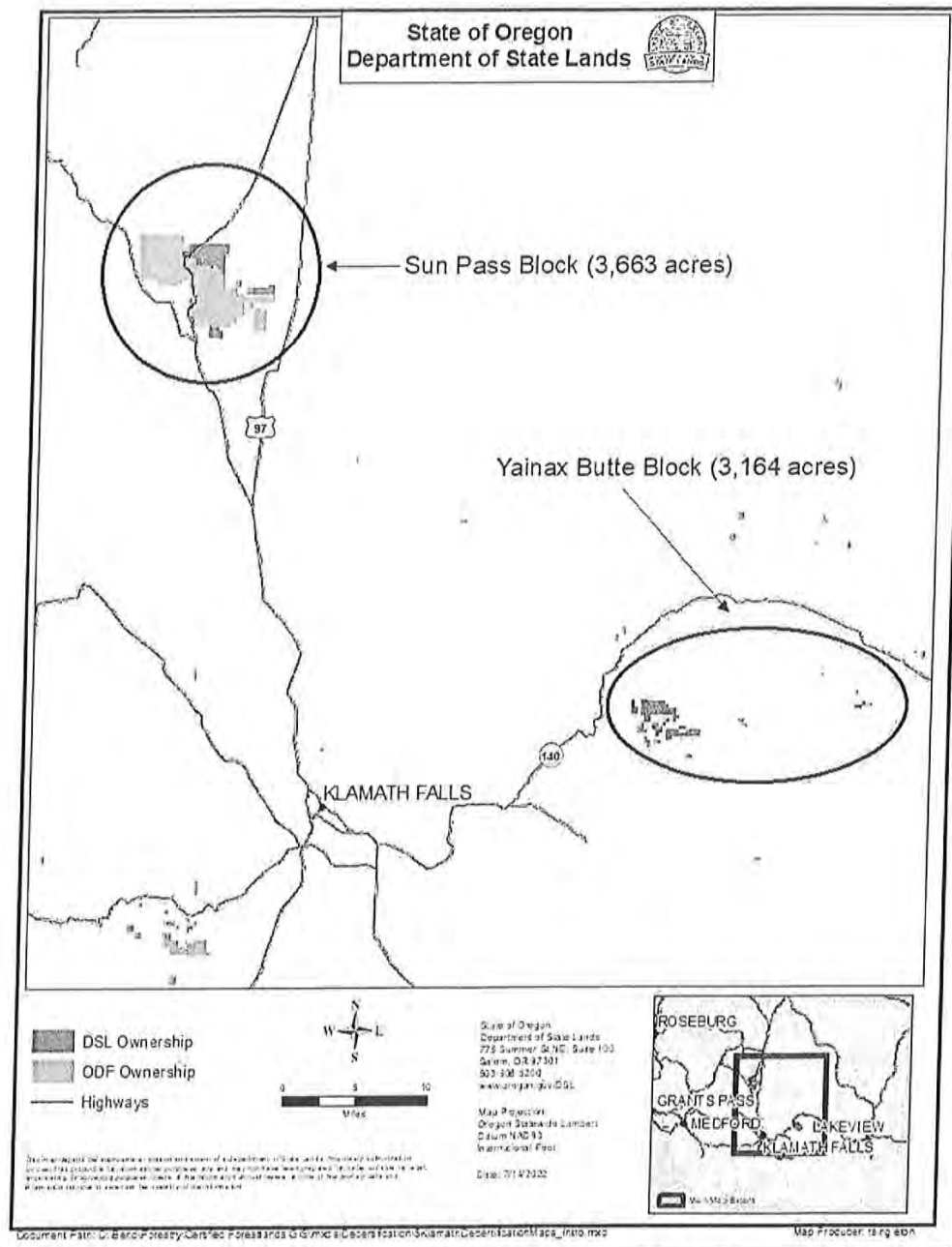
  
Cal Mukumoto, Secretary

01/03/2023  
Date

AGENDA ITEM B  
Attachment 2  
Page 1 of 6

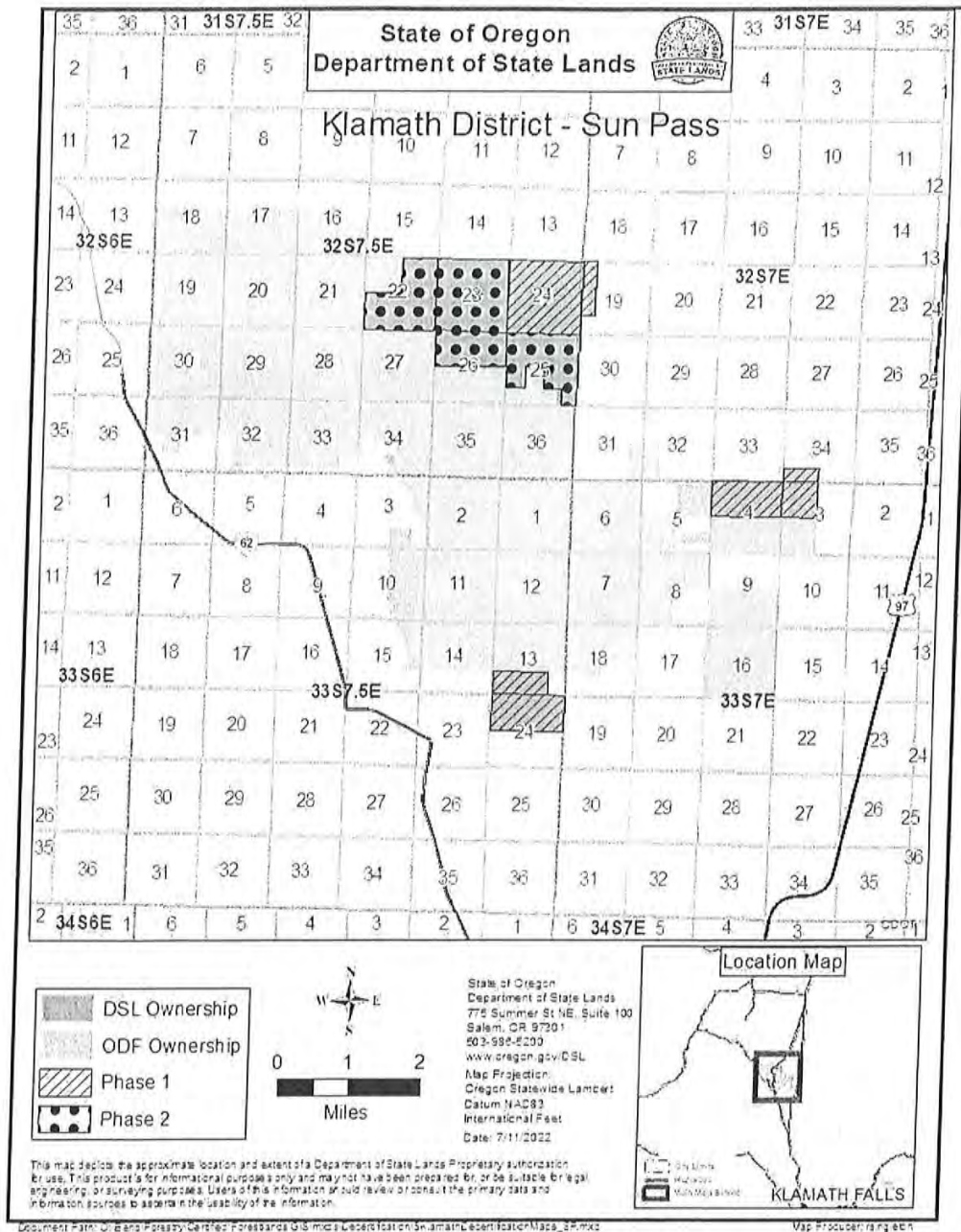


APPENDIX A  
Map of Klamath District parcels for decertification showing in blue.



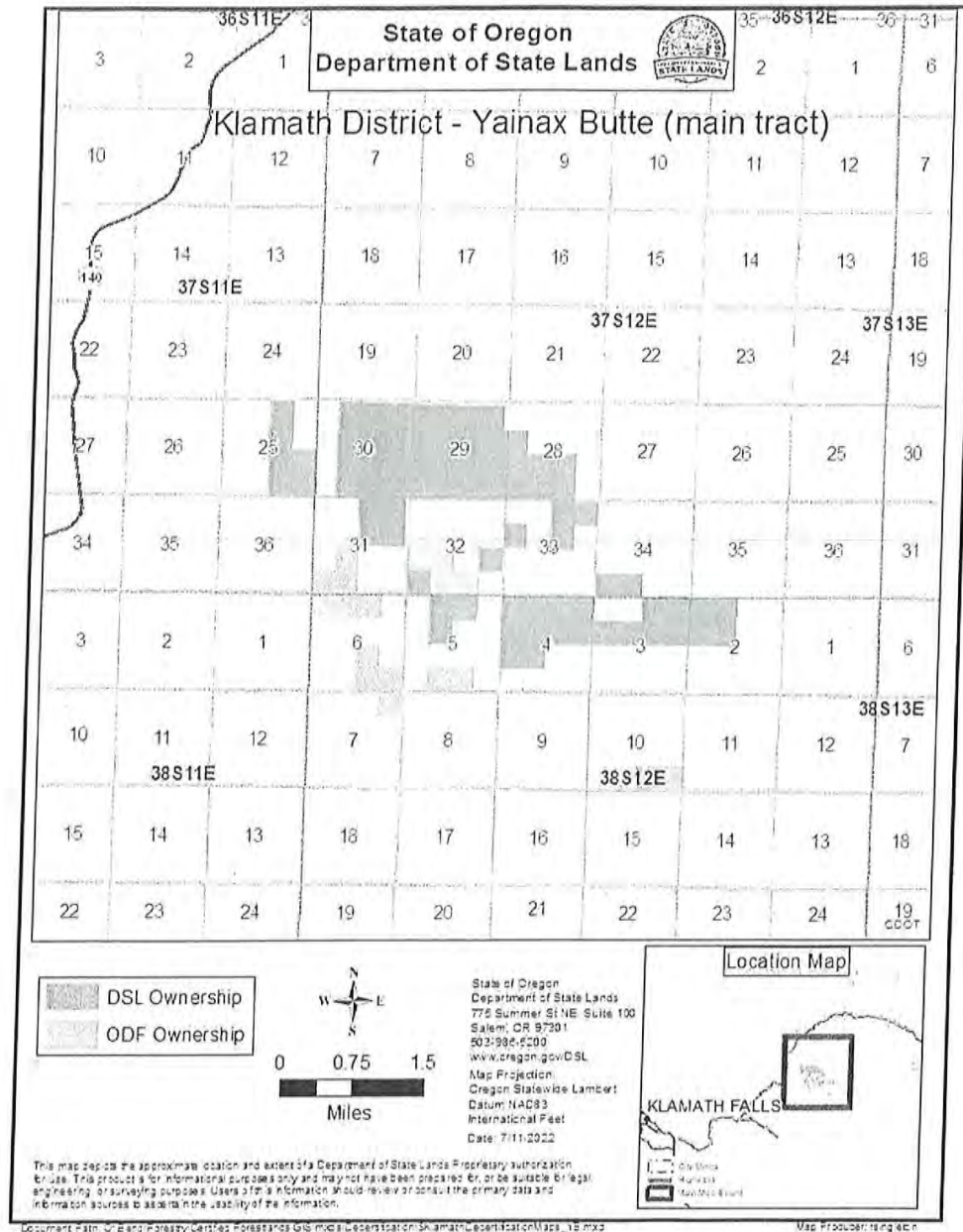
AGENDA ITEM B  
Attachment 2  
Page 2 of 6

APPENDIX B  
Map of Sun Pass parcels depicting decertification 1 and 2.



AGENDA ITEM B  
Attachment 2  
Page 3 of 6

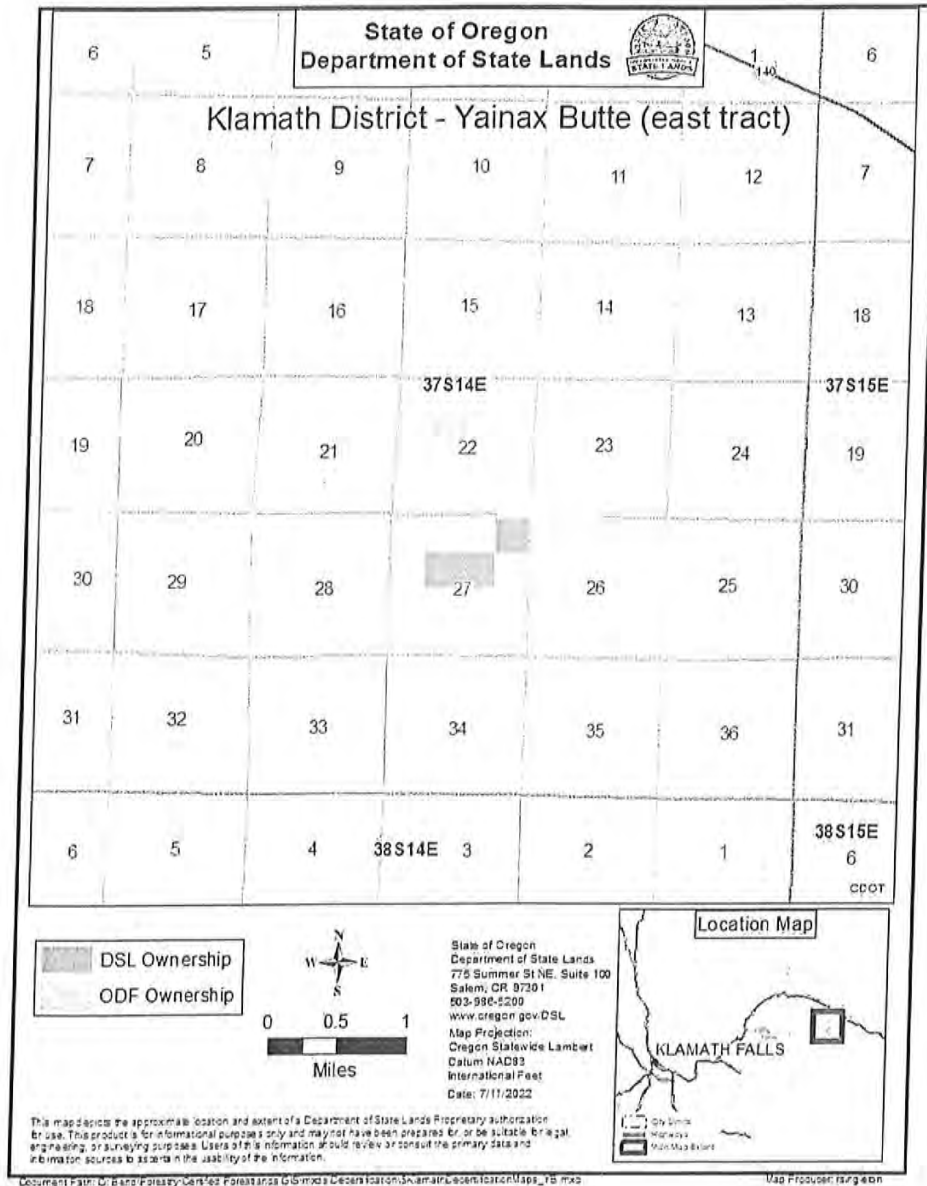
APPENDIX C  
Map of Yainax Butte main tract decertification parcels.



AGENDA ITEM B  
Attachment 2  
Page 4 of 6



APPENDIX D  
Map of Yainax Butte east decertification parcels.



AGENDA ITEM B  
Attachment 2  
Page 5 of 6

**APPENDIX E**  
**Parcels for first decertification, effective July 1, 2023.**

DSL Parcel	Tax	TS	Rang	Sectio	Legal Description	Acres*	Tract
267	0210	33	07.5E	24	N2	320	Sun
268	0210	33	07.5E	13	LOTS 5, 6, 7	143.66	Sun
1194	0050	32	07.5E	24	ALL	640	Sun
1195	0090	32	07E	19	LOTS 7, 8, 13	100.22	Sun
2215	0040	32	07E	34	FR S2SW4	60	Sun
2220	0110	33	07E	4	N2	319.2	Sun
2221	0110	33	07E	3	NW4	160	Sun
1641	0090	37	11E	25	SE4	160	Yainax
1642	0170	37	12E	30	NE4SW4, W2SE4, SE4SE4	123.87	Yainax
1642	0170	37	12E	30	NE4SW4, W2SE4, SE4SE4	36.13	Yainax
1644	0170	37	12E	30	NE4SE4	40	Yainax
1646	0170	37	12E	29	W2SW4, NE4SW4	120	Yainax
1647	0170	37	12E	29	NW4SE4	40	Yainax
1870	0170	37	12E	30	SW4SW4	40	Yainax
1871	0170	37	12E	29	SE4SW4	40	Yainax
1877	0170	37	12E	29	S2SE4, NE4SE4	79.05	Yainax
1877	0170	37	12E	29	S2SE4, NE4SE4	40.95	Yainax
2133	0410	37	14E	27	NE4NE4	40	Yainax
2134	0170	37	12E	30	SE4NW4	40	Yainax
2135	0170	37	12E	28	SW4NW4	40	Yainax
2136	0410	37	14E	27	SW4NE4, SE4NW4	80	Yainax
2137	0170	37	12E	28	SW4, NW4SE4	117.3	Yainax
2137	0170	37	12E	28	SW4, NW4SE4	82.7	Yainax
2396	0250	37	12E	33	SW4NW4	40	Yainax
2397	0250	37	12E	32	NE4SE4	40	Yainax
2400	0240	37	12E	32	LOT 4	39.23	Yainax
2576	0170	37	12E	31	NE4	160	Yainax
2578	0170	37	12E	33	N2NE4, SW4NE4	120	Yainax
2612	0260	37	12E	34	LOTS 3, 4	77.08	Yainax
2618	0020	38	12E	5	LOTS 2, 3, SE4NW4	123.44	Yainax
2710	0090	37	11E	25	W2NE4	80	Yainax
2711	0170	37	12E	30	NE4NW4, W2NE4, SE4NE4	42.71	Yainax
2711	0170	37	12E	30	NE4NW4, W2NE4, SE4NE4	117.29	Yainax
2712	0170	37	12E	30	NE4NE4	40	Yainax
2713	0170	37	12E	29	N2	82.29	Yainax
2713	0170	37	12E	29	N2	237.71	Yainax
2718	0170	37	12E	28	SW4SE4	40	Yainax
2725	0030	38	12E	4	LOTS 1, 2, 3, 4, S2N2, N2SW4	404.21	Yainax
2732	0030	38	12E	3	LOTS 1, 2	80.32	Yainax
2733	0030	38	12E	2	LOTS 3, 4, S2NW4	159.6	Yainax
2735	0030	38	12E	3	S2NW4	80	Yainax
2736	0030	38	12E	3	S2NE4	80	Yainax
<b>TOTAL</b>						<b>4906.96</b>	

\*Acres are compiled from Oregon Department of Forestry's 2017 Managed Common School Forestlands report.

AGENDA ITEM B  
Attachment 2  
Page 6 of 6





# Oregon

Tina Kotek, Governor

## Department of State Lands

775 Summer Street NE, Suite 100

Salem, OR 97301-1279

(503) 986-5200

FAX (503) 378-4844

[www.oregon.gov/dsl](http://www.oregon.gov/dsl)

## State Land Board

## M E M O R A N D U M

Tina Kotek

Governor

Shemia Fagan

Secretary of State

Tobias Read

State Treasurer

Date February 7, 2023

To: Governor Tina Kotek  
Secretary of State Shemia Fagan  
State Treasurer Tobias Read

From: Vicki L. Walker  
Director

### **Subject: Strategic Plan Year One Results: FY 2022**

Developed collaboratively by Department of State Lands staff, enhanced by feedback from partners and the public, and approved by the State Land Board, our 2022-2027 Strategic Plan sets the foundation for the Department's work with our mission, vision, and values.

The Strategic Plan also provides a practical framework for continually improving service, establishing four Department-wide strategic goals, each with measurable objectives for tracking progress toward the overall goal.

The Department is pleased to present Year One results for those progress objectives. The overview presentation is attached; a summary is below.

### **SUMMARY: STRATEGIC PLAN YEAR ONE RESULTS**

#### **EXCEPTIONAL SERVICE PROGRESS OBJECTIVES**

##### **Continuous Improvement in Customer Satisfaction**

*Objective: Customer satisfaction, as measured in biennial satisfaction survey, increases with every survey, toward ultimate target of 93 percent satisfaction.*

**Year One Result:** 4 of 6 satisfaction indicators increased in FY22 survey.

### **Progress Toward 93 Percent Target:**

- Expertise: 86.3 percent
- Overall Satisfaction: 80 percent
- Helpfulness: 80.0 percent
- Timeliness: 79.8 percent
- Accuracy: 79.4 percent
- Availability of Information: 76.5 percent

### **Purposeful & Proactive Communication**

*Objective: 100 percent of programs have a communications plan by end of FY24*

**Year One Result:** One of four programs have a plan in place. South Slough Reserve has a current communications plan. Plans for removal-fill and waterway programs and school lands have not been completed.

### **Continuous Improvement in Reaching the People we Serve**

*Objective: People visiting our website, joining our email lists, following us on social media increases from year to year.*

**Year One Result:** Two of the three channels with FY22 data saw an increase from FY21. People joining our email lists and following social media channels increased. Website visitors decreased.

### **Continuous Improvement in Support for Team DSL**

*Objective: Improve or maintain ratings for “employee support” questions with every employee satisfaction survey.*

**Year One Result:** Year One data is not yet available for this objective. The Department’s employee satisfaction survey occurs biennially, with the FY23 survey planned for spring 2023.

## **THRIVING OREGON PROGRESS OBJECTIVES**

### **Protect Wetlands**

*Objective: No net loss of wetlands during the fiscal year.*

**Year One Result:** 26-acre decrease in FY22; the target is zero.

### **Continuous Improvement in Serving People at South Slough Reserve**

*Objective: Increase the number of people served annually at South Slough National Estuarine Research Reserve from year to year.*

**Year One Result:** Increased to 4,563 in FY22 from 1,308 in FY21.

**Climate Change, Wildfire Resilience Efforts**

*Objective: Increase in research, projects and practices that promote climate change and wildfire resilience for agency-managed lands, waterways, and wetlands.*

**Year One Result:** This is a new metric – baseline data is being collected in Year One.

**Access to Stewardship Tools and Best Practices**

*Objective: Increase availability of tools and best practices for managing and restoring wetlands, waterways, and lands.*

**Year One Result:** This is a new metric – baseline data is being collected in Year One.

**SUPPORTING SCHOOLS PROGRESS OBJECTIVES**

**Continuous Improvement in Expense & Revenue Key Performance Measures**

*Objective: Meeting targets for identified expense and revenue KPMs by 2025*

**Year One Result:** 3/5 targets met in FY22:

- Percent annual increase in cash deposited to the Common School Fund: Met. Target is 10 percent; FY22 was 97 percent.
- Increase in revenues generated by all land management activities, excluding timber harvest receipts: Met. Target is 3 percent; FY22 was 26 percent.
- Percent of South Slough National Estuarine Research Reserve operations funded from non-Common School Fund sources: Met. Target is 25 percent; FY22 was 47 percent.
- Percentage of forest lands program revenue used for administrative and operational costs: Not met. Target 45 percent; FY22 is 114 percent.
- Percentage of program revenue used for administrative and operational costs on all non-forest lands: Not met. Target is 45 percent; FY22 is 65 percent.

## **GREAT WORKPLACE PROGRESS OBJECTIVES**

*Note: DSL's employee satisfaction survey is conducted every other year and will be completed in Spring 2023, providing year one data for one Great Workplace progress metric and baseline data for two progress metrics, as detailed below.*

### **Continuous Improvement in Work-Life Balance Satisfaction**

*Objective: Include questions related to work/life balance in the employee satisfaction survey, and improve or maintain ratings from year to year.*

Questions will be added to the employee satisfaction survey starting in FY23 to benchmark and track progress.

### **Improve retention, accessibility of acquired knowledge**

*Objective: By 2025, increase the percentage of DSL Team members who feel acquired knowledge is retained and accessible.*

Questions will be added to the employee satisfaction survey starting in FY23 to benchmark and track progress.

### **Perpetual employee satisfaction**

*Objective: Improve or maintain ratings for all questions with every employee satisfaction survey.*

Baseline data is available from the FY21 survey; Year One data will be captured in the FY23 survey in Spring 2023.



A photograph of two people walking a large, shaggy black dog on a wooden boardwalk. The boardwalk is made of weathered wooden planks and leads from the foreground into a lush green field. In the background, there is a dense forest of tall evergreen trees. The scene is captured in a wide-angle shot, emphasizing the natural setting.

OREGON DEPARTMENT OF STATE LANDS

2022-2027

STRATEGIC PLAN

# RESULTS REPORT

YEAR ONE | FY22



# WE HAVE BIG GOALS

**EXCEPTIONAL SERVICE**



**THRIVING OREGON**



**SUPPORTING SCHOOLS**



**GREAT WORKPLACE**





# WE'RE GOING TO MEET THEM

*79 projects mapped to 29  
strategies for achieving*  
**11 OUTCOMES**

---

# HOW YOU'LL KNOW IT

*We're reporting results  
every year on*  
**12 PROGRESS OBJECTIVES**





# WHAT WE'RE WORKING ON



FY23 / FY24  
**ACTION  
PLAN**

**38**  
PROJECTS

**FIVE**  
MAJOR FOCUS PROJECTS

**THIRTY-THREE**  
PROJECTS THAT  
ADVANCE OUTCOMES

**13%**  
COMPLETE IN  
YEAR ONE

**79%**  
IN PROGRESS IN  
YEAR ONE

**83%**  
ON TRACK TO BE  
COMPLETE BY FY25



# EXCEPTIONAL SERVICE

## OUTCOMES

*Improved service*

*Increased access to information and services*

*Increased awareness and understanding of DSL services and contributions*

*Staff is supported in providing exceptional service*

## PROGRESS OBJECTIVES

### CONTINUOUS IMPROVEMENT IN CUSTOMER SATISFACTION

*Customer satisfaction increases with every biennial survey*

#### Year One Result

67%

*Four of six satisfaction indicators increased*

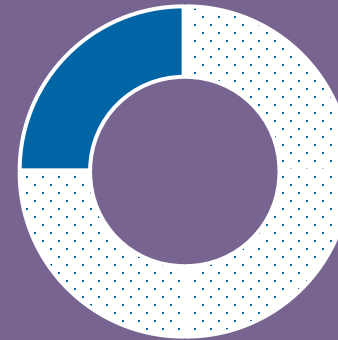
#### Progress Toward 93% Target

Expertise: 86.3%  
Overall Satisfaction: 80%  
Helpfulness: 80%  
Timeliness: 79.8%  
Accuracy: 79.4%  
Availability of Information: 76.5%

### PROACTIVE COMMUNICATION

*100 percent of programs have a communications plan by end of FY24*

#### Year One Result



*1 of 4 plans in place*

### CONTINUOUS IMPROVEMENT IN SUPPORT FOR TEAM DSL

*Improve or maintain ratings for “employee support” questions with every Employee Satisfaction Survey*

- Year One data coming Spring 2023

### CONTINUOUS IMPROVEMENT IN REACHING PEOPLE

*People visiting DSL’s website, joining email lists, or following on social media increases every year*

#### Year One Result

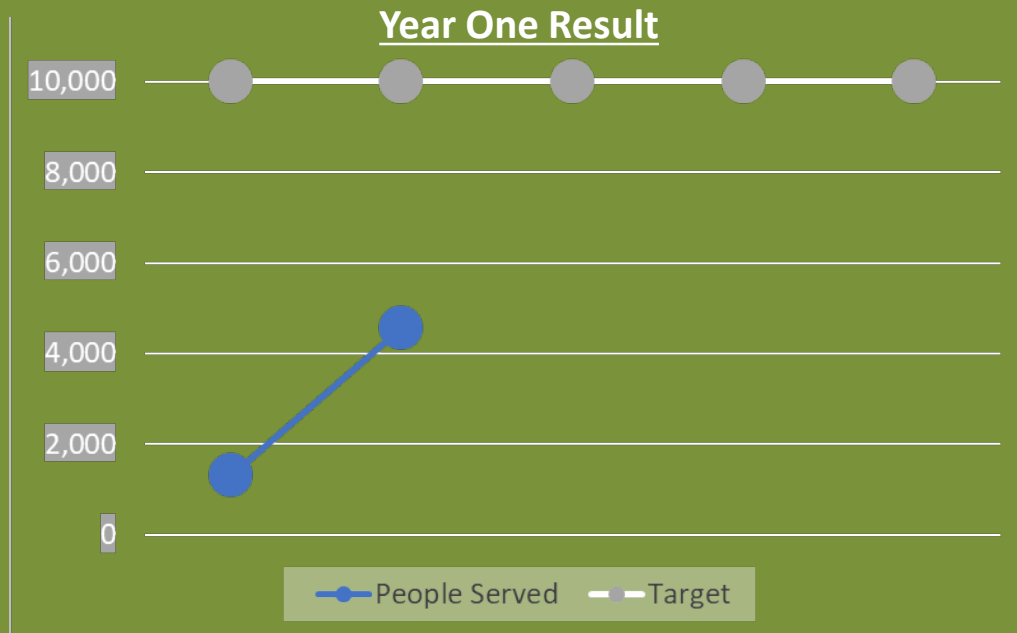
67%

*Two of three channels tracked increased*

## PROGRESS OBJECTIVES

### CONTINUOUS IMPROVEMENT IN SERVING PEOPLE AT SOUTH SLOUGH RESERVE

*Increase the number of people served annually at South Slough National Estuarine Research Reserve from year to year*



### PROTECT WETLANDS

*No net loss of wetlands during the FY*

Year One Result

↓  
**26**  
26 acre decrease

### NEW METRICS: BASELINE DATA BEING COLLECTED IN YEAR ONE

- Increase in research, projects and practices that promote climate change and wildfire resilience for agency-managed lands, waterways, and wetlands*
- Increase availability of tools and best practices for managing and restoring wetlands, waterways, and lands*



# THRIVING OREGON

## OUTCOMES

*Enhanced lands and waters*

*Widespread stewardship of lands and waters*

*Increased opportunities for students and teachers*





# SUPPORTING SCHOOLS

## OUTCOMES

*Increase net revenue  
for the Common  
School Fund*

## PROGRESS OBJECTIVES

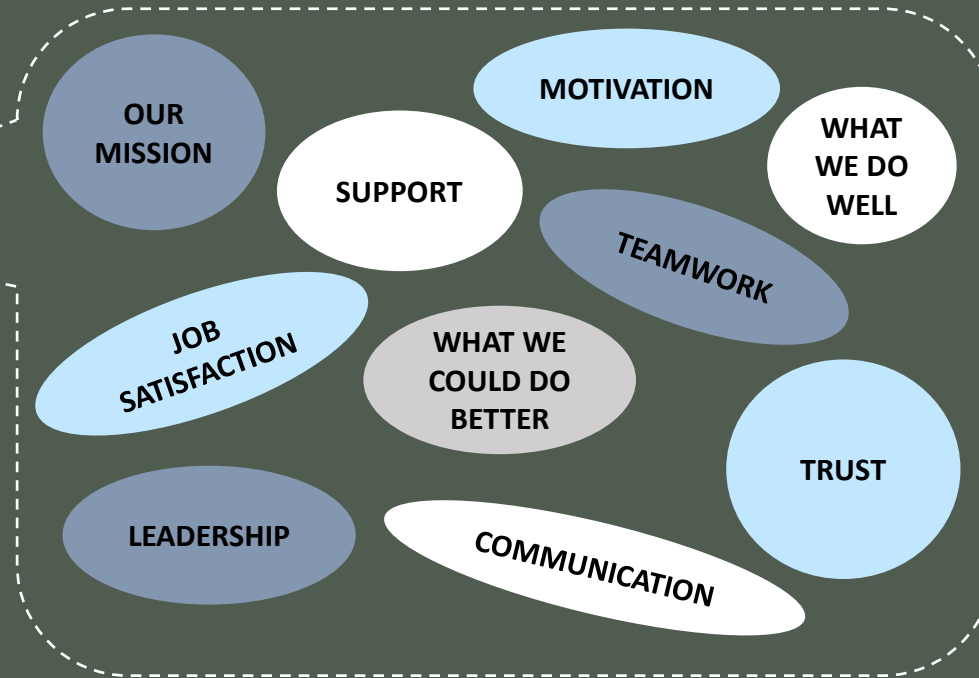
KEY PERFORMANCE MEASURE	✓	Year One Result	Target
Percent annual increase in cash deposited to the Common School Fund	✓	97%	10%
Increase in revenues generated by all land management activities, excluding timber harvest receipts	✓	26%	3%
Percent of South Slough National Estuarine Research Reserve operations funded from non-Common School Fund sources	✓	47%	25%
Percentage of forest lands program revenue used for administrative and operational costs	✗	114%	45%
Percentage of program revenue used for administrative and operational costs on all non-forest lands	✗	65%	45%

## PROGRESS OBJECTIVES

### DATA COMING: PERPETUAL EMPLOYEE SATISFACTION

*Improve or maintain ratings  
for **All Questions**  
with every employee  
satisfaction survey.*

*DSL's Employee Satisfaction  
Survey is conducted  
every other year.  
Year One data will be  
captured in Spring 2023.*



### NEW METRICS: BASELINE DATA BEING COLLECTED IN YEAR ONE

*The FY23 Employee Satisfaction Survey will also provide baseline data for two new metrics:*

- **Continuous Improvement in Work-Life Balance Satisfaction:** Questions will be added to the employee satisfaction survey starting in FY23 to benchmark and track progress.
- **Improve retention, accessibility of acquired knowledge:** Questions will be added to the employee satisfaction survey in FY23 benchmark and track progress.



## GREAT WORKPLACE

### OUTCOMES

*Encourage engagement  
and growth*

*Support work-life balance*

*Retain and share  
acquired knowledge*