Oregon
Tina Kotek, Governor

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

State Land Board

February 10, 2026
10:00 am – 12:00 pm
Meeting Agenda

Public Wi-Fi logon: LandsDSL

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

CONSENT ITEMS

1. Request for approval of the minutes of the December 03, 2025, State Land Board Meeting

INFORMATIONAL ITEMS

2. Department of State Lands 2027 Legislative Concepts
   No public testimony will be taken on this item.

3. Common School Fund Forest Lands Annual Report
   No public testimony will be taken on this item.

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

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

Continued on the next page

6. Climate Action Spotlight
   No public testimony will be taken on this item.

7. Other

WATCH THE MEETING ONLINE

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

ATTEND IN-PERSON

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

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

PROVIDE PUBLIC TESTIMONY

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

- **Providing Written Testimony:** Testimony received by 10 a.m. on the Monday before the meeting will be provided to the Land Board in advance and posted on the meeting website. Submit your input in writing to: landboard.testimony@dsl.oregon.gov. Testimony received after this deadline may not be provided to the Land Board prior to a vote. Please indicate the agenda item your testimony relates to.
- **Providing Spoken Testimony by Video/Phone or In Person:** Advanced sign-up is required for the public to provide spoken testimony (in-person or by Zoom). The sign-up deadline is 10 a.m. the day before the meeting.
  Please note: When the number of people interested in speaking exceeds the time allotted for an agenda item, speakers are randomly selected for testimony

slots to ensure all have an equal opportunity to testify. Speakers have the same chance of being randomly selected whether they plan to testify in person or by Zoom. The testimony order will be posted to the State Land Board Meetings webpage the day before the meeting, and everyone who signed up to testify will be notified of the testimony order via email. Be aware there may not be time for everyone who signs up to speak.

Additional Testimony Information

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

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State Land Board

Tina Kotek
Governor

Tobias Read
Secretary of State

Elizabeth Steiner
State Treasurer

The State Land Board (Land Board or Board) met in regular session on December 3, 2025, in the Land Board Room at the Department of State Lands (DSL), 775 Summer Street NE, Salem, Oregon. The meeting audio and video was livestreamed on the DSL YouTube channel.

Present were:

Tina Kotek	Governor
Tobias Read	Secretary of State
Elizabeth Steiner	Treasurer

<u>Land Board Assistants</u>

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

<u>Department Staff</u>

Kaitlin Lovell	Bill Ryan	Ellie Forness	Katrina Scotto di Carlo
Arin Smith	Chris Castelli	Ali Ryan Hansen	Linda Safina-Massey
Ted Bright	Cait McCusker	Hannah Beverage	Jean Straight

<u>Department of Justice</u>
Matt DeVore

Governor Kotek called the meeting to order at 10:00 a.m. The topics discussed and the results of those discussions are listed below. To view the Land Board (Board) meeting in its entirety, please visit our YouTube page: December 3, 2025, Land Board Meeting

<u>Consent Items</u>

1. **Minutes**

   Secretary Read made a motion to approve the minutes for the October 14, 2025, Land Board meetings.

   Treasurer Steiner seconded the motion.
   The item was approved at 10:01 a.m. without objection.

ACTION ITEMS

2. Due Diligence Request for Potential Sale of Rangelands in Wheeler County

Director Lovell introduced Chris Castelli, Deputy Director of Land Management and John Gessner, Land Transaction Specialist, to present the item.

The Department recommended that the Land Board authorize the initiation of due diligence for the potential sale of the Hoogie Doogie rangeland property in Wheeler County.

10:07 a.m.
Secretary Read asked how the due diligence will account for the option to sell parcels separately.
Mr. Gessner stated that the goal is to get the highest dollar for the land through appraisal consultation with the broker community.

Secretary Read then asked how the consultation with DOGAMI on carbon sequestration may affect the type of sale.
Mr. Gessner stated that consultation will assess what sort of mineral rights or carbon sequestration exist, but the State will retain ownership of subsurface mineral rights.

10:09 a.m.
Treasurer Steiner stated that it will be important to differentiate between surface and subsurface mineral rights because of the potential for development or sale/lease of those mineral rights.

Governor Kotek stated that another important factor to consider is the remoteness of the locations and the risk of fire activity.
She then asked what the internal conversations have been regarding the timeline of how quickly due diligence can be completed.

Mr. Castelli responded that to estimate the timeline, public review and comment, Tribal consultation, meeting with brokers, and completing appraisals all need to be considered.
Mr. Gessner stated that the due diligence process will take approximately 12 months.

Secretary Read made a motion to approve the action item.
Treasurer Steiner seconded the motion.
The item was approved at 10:13 a.m. without objection.

3. Decertification of Common School Fund Forestland Adjacent to South Slough Reserve in Coos County

Deputy Director Chris Castelli introduced Brian Cochran, Real Property Policy Specialist, to assist in presenting the item.

The Department recommended that the Land Board approve the decertification of 80 acres of Oregon Department of Forestry-managed forestlands, known as Winchester property, within the Coos District to allow for acquisition of the property by the South Slough National Estuarine Research Reserve.

10:15 a.m.
Secretary Read and Treasurer Steiner both asked for clarification as to the date the acquisition was approved in 2023 and why the decertification is happening two years later.

Mr. Castelli stated that we applied for a grant as part of a long-term strategic plan goal but were just awarded the funds in 2025.

Governor Kotek asked if there is a date that the funds must be spent by.

Mr. Cochran stated we have until the end of 2028 to acquire the property.

Governor Kotek stated that out of an abundance of caution, it would be best to get this done as soon as possible.
She then asked if the requirement for approval from the Board of Forestry is a constitutional or statutory issue.

DSL attorney, Matt Devore stated that it is a statutory requirement that both Boards approve certification and decertification of Common School Fund Forestlands.

Treasure Steiner stated that the process seems inefficient and could be streamlined.

Secretary then asked if the process could move faster than the recommended effective date of July 1, 2026.

Mr. Castelli stated that the Board of Forestry only meets quarterly, which gives us less options to be on the agenda.

Secretary Read made a motion to approve the action item.
Treasurer Steiner seconded the motion.
The item was approved at 10:27 a.m. without objection.

4. *Adoption of Division 82 and Division 145 Rules was moved to a future agenda

INFORMATIONAL ITEMS

5. Aquatic Resource Management Annual Report

Director Lovell introduced Dana Hicks, Planning & Policy Manager, to present the item which reviewed highlights of the annual report which provides summary information regarding the management of state-owned waterways for the 2025 Fiscal Year and fulfills the annual report requirements in the state's removal-fill law ORS 196-885.

10:44 a.m.
Secretary Read stated that he really appreciates the heading of protecting school funding and the increase in fees to cover costs is an appropriate step in being thoughtful about protecting the Common School Fund.

Governor Kotek stated that she appreciates the hard work of the team.

6. Elliott State Research Forest Update

10:47 a.m.

Director Lovell introduced Darren Goodding, Elliott State Research Forest Manager, to assist Deputy Director Castelli in presenting the update which looked ahead to the outcomes and actions we are focused on in 2025-27 and reports on work in progress, including financial and business planning, working forest operations, carbon project, Tribal engagement, research forest headquarters and the continuing work on the Forest Management Plan.

Keith Tymchuk, Chair of the Elliott State Research Forest Board of Directors, joined the meeting via zoom to give his perspectives as outgoing Chair.

11:15 a.m.
Secretary Read asked are the tradeoffs between the 2-year and 3-year contracts and testing lumpsum vs. scaled.

Darren stated that we are in testing mode now and unpredictable disruptions such as fire season, timing restrictions for the spotted owl and marbled murrelet, etc. that affect the number of operational days must be taken into consideration.

Secretary then asked, once a contract is approved, what are the other things that we can do to reduce the bottlenecks that may slow things down?

Darren stated that discussing capacity and resources with agency partners will be helpful in keeping things moving.

11:21 a.m.
Governor Kotek stated her appreciation for all the hard work on this.
She then asked if there is opportunity from private sector partners to provide support?

Darren stated that they have been meeting with industry groups as well to have some of these conversations.

7. Other

11:25 a.m.

Director Lovell gave brief updates on the following:

- Introduction of Deputy Director of Administration, Caiti Hudson
- Tribal engagement regarding Carbon Sequestration has started

The meeting was adjourned at 11:29 a.m.

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Kaitlin Lovell, Director

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M E M O R A N D U M

Date: February 10, 2026

To: Governor Tina Kotek
Secretary of State Tobias Read
State Treasurer Elizabeth Steiner

From: Kaitlin Lovell
Director

Subject: 2027 Agency Legislative Concepts (Item 2)

The Department of State Lands is preparing its policy agenda for the 2027 Legislative Session. Legislative concept requests will be submitted to the Department of Administrative Services (DAS) for consideration as Governor-introduced bills.

The proposed agenda includes two legislative concepts that support the Department's daily operations, core mission, and long-term budget goals. The Department will follow this timeline for the 2027 Session:

- April 2026: Submit legislative concept proposals to DAS.
- June 2026: DAS and the Governor's Office will complete reviews and forward approved concepts to Legislative Counsel for drafting.
- November 2026: Submit draft concepts to DAS and the Governor's Office for final approval.
- December 2026: The deadline for pre-session filing.

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

The Department may provide updates on the legislative concept process during Land Board meetings through December 2026.

ESTABLISHING A DEDICATED SOURCE OF REVENUE FOR THE ADV PROGRAM

Agency Mission and Goals

Hundreds of hazardous boats and ships are damaging Oregon's public waterways, including large tugboats, barges, and former military vessels as well as recreational vessels like sailboats and motorboats. These abandoned and derelict vessels (ADVs) threaten the health and safety of our rivers, lakes, and ocean by contaminating water and degrading habitat, damaging property, and creating navigational hazards.

DSL’s Waterways Stewardship Program addresses these issues, including implementation of the state's Abandoned and Derelict Vessel Program, through ongoing collaboration with governmental and community partners to develop long-term solutions for safe and healthy waterways.

Background

Two bills approved during the 2023 legislative session support the Department’s removal of vessels from waterways and development of a statewide ADV program. House Bill 2914 established the Oregon Abandoned and Derelict Vessel program to address ADVs, and created the Oregon Abandoned and Derelict Vessel Fund at the Oregon Treasury. House Bill 5029 provided $18.8 million from the Monsanto settlement for the new ADV fund. That initial funding supports vessel removals, development of the ADV program, and positions to support ADV efforts.

The Department convened a 24-member workgroup of partners and community members to advise on key elements of the new statewide program. The ADV Workgroup brought a wide variety of perspectives and expertise, including ports, marinas, waterway recreation, environmental protection, vessel salvage, and local government. A primary topic of discussion was long-term stable funding for the program. The Workgroup indicated revenue should be sourced from those who benefit from the manufacture, sale, and operation of boats, including recreational and commercial boaters, boat dealers, boat manufacturers, moorage and boating access providers, and commercial entities dependent upon boats for conducting business. Establishing new or increased fees for these groups requires legislative action.

Next Steps

Predictable, consistent funding will be crucial for the long-term success of the program. Securing ongoing funding that does not rely on the state’s General Fund or the Common School Fund will be necessary by the start of the 2029-31 biennium, when start-up funding will no longer be sufficient to cover the full costs of the program’s biennial workplans. Throughout 2024 and 2025, the Department has conducted research and continued engagement on possible funding mechanisms, some of which require legislative action while others are through different approaches.

For the 2027 Legislative concepts, the Department will continue working with state agency and industry partners to refine and right size the revenue options to include an appropriate solution in the 2027 session. Once the Department has identified the revenue source, additional partner engagement and education will begin to allow for partner input.

LEGISLATIVE FEE RATIFICATIONS

OAR 141-082: Leases, Licenses, and Registrations on Oregon-Owned Waterways
OAR 141-083: Undersea Infrastructure Easements in Oregon's Territorial Sea

Agency Mission and Goals

The people of Oregon own the beds and banks of all navigable and tidally influenced waterways throughout the state. Oregon-owned rivers, lakes, and the territorial sea are shared resources the public may use for navigation, recreation, commerce, and fishing. The Department oversees these waterways by promoting healthy, safe, and responsible waterway use. Marinas, ports, docks, floating homes, and other uses of public waterways require authorization from the Department. Some authorizations, including leases and registrations, compensate the public and ensure the use does not adversely affect the health and safety of public lands or waters or unreasonably interfere with other uses.

In recent years the Department has explored strategies to achieve sustainable operations in managing waterway authorizations and ensure lease rates are consistent and fair. In addition, Oregonians have experienced serious environmental risks and unexpected financial liability from some private uses along waterways such as neglected structures and stockpiling of hazardous and derelict boats. The Department has identified best management practices for waterway leases that will help protect the health and safety of public lands and waters and minimize operational risks.

For decades, cables have been installed on the bottom of Oregon's territorial sea—the area of the Pacific Ocean extending from the shoreline to three nautical miles offshore. These cables, often called "undersea" or "submarine" cables, carry global data through optical fibers and are placed on, attached to, or buried beneath the seafloor. In the future, similar infrastructure may also include power transmission cables and pipelines to serve purposes like carrying electricity from offshore wind turbines to shore. The Department, with approval from the State Land Board, issues easements for use of the territorial sea.

Background

To support the ongoing goal of cost recovery across programs, the Department is nearing the end of two rulemaking projects that include increased fees across the services mentioned above. Per existing agency statutory authority and additional direction in Senate Bill 793 from the 2025 session, the Department is in the process of finalizing Oregon Administrative Rules for Land Board approval across two Divisions:

- OAR 141-082: Leases, Licenses, and Registrations on Oregon-Owned Waterways: Land Board initiated rulemaking in April 2024. Tentative vote scheduled for the April 2026 Land Board Meeting
- OAR 141-083: Undersea Infrastructure Easements in Oregon's Territorial Sea: Land Board initiated rulemaking in June 2025. Rules Advisory Committee (RAC) meetings will be held February – May 2026. Adoption of new rules by January 1, 2027, as required by Senate Bill 793

Traditionally, state agency fees are set either at a specific level in statute or capped in statute with authority for an agency to increase fees up to the cap through administrative rule. Sometimes state agencies are allowed to set fees solely by administrative rule without a statutorily set cap.

The 1995 Legislative Assembly originally adopted changes to how agency fees were approved in Senate Bill 333, which was codified in ORS 291.050 and ORS 291.055. ORS 291.055 requires that all new fees or fee increases adopted during the period beginning on the date of adjournment sine die of a regular session of the Legislature and ending on the date of adjournment sine die of the next regular session of the Legislature must be approved by DAS and then adopted by the legislature via a fee ratification bill in the next appropriate session. For more detailed information on this process see Appendix A.

Next Steps

In collaboration with the Chief Financial Office (within DAS), the Department will draft a fee ratification bill for these fees updated in Divisions OAR 141-082 and OAR 141-083, which will move through the legislative process along with the agency's 2027-29 budget bill.

After the rulemaking process concludes for both Divisions, Department staff will work to inform customers and members of the public about these changes in fees in preparation for the 2027 fee ratification bill, as well as collaborating with the Legislative Fiscal Office on budget structure and revenue implications.

APPENDICES

A. Agency Fee Ratification Process

Legislative Fiscal Office

Ken Rocco
Legislative Fiscal Officer

Daron Hill
Deputy Legislative Fiscal Officer

900 Court Street NE
H-178 State Capitol
Salem, Oregon 97301
503-986-1828

Budget Information Brief / 2013-2

State Agency Fee Approval and Ratification Process

State agency fees are generally set either at a specific level in statute, provided a cap in statute with an allowance for an agency to increase fees up to the cap through administrative rule, or allowed to be set by administrative rule without a statutorily set cap.

The 1995 Legislative Assembly originally adopted changes to how agency fees were approved in Senate Bill 333 (Oregon Laws 1995, chapter 576), which was codified in ORS 291.050 and ORS 291.055. ORS 291.055 now requires that all new fees or fee increases adopted during the period beginning on the date of adjournment sine die of a regular session of the Legislature and ending on the date of adjournment sine die of the next regular session of the Legislature:

- Are not effective until approved in writing by the Director of the Department of Administrative Services (DAS) for executive branch agencies (President and Speaker for legislative branch agencies; Chief Justice for Judicial branch agencies).
- Must be reported by the state agency to the Director of DAS within 10 days of their adoption.
- Are rescinded upon adjournment of the next regular session of the Legislature, unless otherwise authorized by enabling legislation setting forth the approved fees.

The term "enabling legislation" means what the Joint Committee on Ways and Means refers to as "fee ratification" bills.

ORS 291.055 applies "notwithstanding any other law that grants to a state agency the authority to establish fees." That is, ORS 291.005 applies even if it conflicts with another law that establishes some other fee authorization process for a particular state agency.

ORS 291.055 also contains a list of fees, charges, and assessments that are not subject to the fee ratification process.

The fee ratification process only applies to fees established or increased by administrative rule and does not apply to fees set in statute. In other words, fee ratification is necessary only when an agency has discretion to adopt or increase fees and has exercised that discretion.

Fees are defined as an amount imposed and collected by a state agency to defray or recover the costs of administering the law, but does not include fines, civil penalties, or court judgments; proceeds from the sale of produces or charges for rent, leases, or other real estate transactions; interest and other charges for bonding and loan transactions; assessments between agencies; copying charges for public records; or charges for attendance at informational seminars.

The 2007 Legislative Assembly adopted an additional exception to the fee ratification process for fees that are included in an agency's legislatively adopted budget. This avoids requiring a state agency to have one Legislature approve the inclusion of the fees in an agency's budget and the next Legislature approve the actual adoption of the fees. (See Senate Bill 1032; Oregon Laws 2007, chapter 827, sections 2-3.) The exception is codified in ORS 291.055 2(m) and applies to:

> "New or increased fees that are anticipated in the legislative budgeting process for an agency, revenues from which are included, explicitly or implicitly, in the legislatively adopted budget for the agency."

This exception does not apply to fees that were established or increased administratively without legislative review, or those that were modified from what was reviewed by the Legislature. The exception exempts only those fees that had been implicitly or explicitly approved by the Legislature and included in the agency's legislatively adopted budget from the previous biennium, either through the approval of a policy option package requesting additional Other Funds expenditure limitation or acknowledgement during presentation of the budget in the hearings before the Joint Committee on Ways and Means. Fee changes should be identified in the budget report by noting the additional revenue that would be generated for the agency by the fee establishment, increase, or change.

The 2011 Legislative Assembly further changed the fee ratification process to accommodate the move to annual regular legislative sessions. (See House Bill 3487; Oregon Laws 2011, chapter 688.) Now, all fees established or increased after the end of one regular legislative session are rescinded unless approved by the Legislature before the end of the next regular legislative session the following calendar year. This means that state agencies may need fee ratification bills for fees adopted by rule in legislative sessions held in both even-numbered and odd-numbered years.

For additional information, contact:
Legislative Fiscal Office, Ken Rocco, 503-986-1844

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M E M O R A N D U M

Date: February 10, 2026

To: Governor Tina Kotek
Secretary of State Tobias Read
State Treasurer Elizabeth Steiner

From: Kaitlin Lovell
Director

Subject: Oregon Department of Forestry's Report on Common School Forest Lands (Item 3)

During fiscal year 2025 the Oregon Department of Forestry (ODF) managed 26,173 acres of Common School Forest Land.

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

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

APPENDICES

A. Common School Forest Land Annual Report (Fiscal Year 2025)

Common School Forest Land Annual Report

FISCAL YEAR 2025

Prepared by the Oregon Department of Forestry

December 2025

Table of Contents

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

Executive Summary

DATE: December 12, 2025

TO: Governor Tina Kotek
Secretary of State Tobias Read
State Treasurer Elizabeth Steiner

FROM: Kate Skinner, Interim Oregon State Forester

SUBJECT: Fiscal Year 2025 Annual Report for Common School Forest Land

During fiscal year 2025 the Oregon Department of Forestry (ODF) managed 26,173 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 2024 Real Estate Asset Management Plan states that "Management of these forestlands is governed by statute and an intergovernmental agreement between the Land Board and ODF (ORS 530.490)." The majority of ODF-managed forestlands are in the Western Lane, Tillamook, and Western Oregon ODF Districts. 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 2025 Harvest and Revenue

In 2025, net operating income increased to $1,448,893 due to increased volume harvested from CSF timber sales. ODF continues stewardship of 26,173 acres of CSFL through active management, supervising and administering timber operations, monitoring environmental successes and sustaining critical wildlife habitat areas.

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

1. CSFL Harvest Volume:
    a. 6 MMBF
    b. 56 percent increase from FY 2024

2. Revenue Transfers to CSF:
    a. $2.75 million
    b. 19 percent increase from FY 2024

3. Net Operating Income (NOI): NOI is the gross revenue transferred to DSL, minus ODF management costs invoiced to DSL. It is influenced by the same factors that affect volume and value, as well as management expenses.
    a. $1,448,893
    b. 59 percent increase from FY 2024

4. CSFL Management costs:
    a. $1.3 million
    b. 7.5 percent decrease from FY 2024

5. CSFL sales sold in FY 2025 (not yet harvested)
    a. 1.16 MMBF
    b. Approximately $653,413 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 2025, 38 acres were reforested and 596 acres received young-stand management treatment, improving overall forest health and future growth.

This annual report summarizes CSFL management activities from July 1, 2024 through June 30, 2025.

Financial and Asset Management

Overview

This report primarily focuses on FY 2025 (July 1, 2024 through June 30, 2025). 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 2025 was $1,448,893. NOI was calculated by subtracting costs from total revenue transferred to DSL. NOI ranged from $908,696 to $1.9 million for CSFL in the past 5 years (Table 1).

Table 1: Net Operating Income	
FY2025	**$1,448,893**
FY2024	$908,696
FY2023	$1,226,043
FY2022	$1,890,650
FY2021	$1,119,587
5 Year Average	**$1,318,774**

Annual Revenue

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

Fiscal Year 2025 Revenue and Investment Costs

During FY 2025, $2.75 million in revenue was transferred to DSL (Table 2). Total charges for managing the CSFL totaled $1.3 million during FY 2025 (Table 2). These expenditures include State Forests Division personnel in Salem, three regional areas, and six districts. Together, these 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 $275,375 in FY 2025 (Table 3). This is approximately 21 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 costs which totaled $267,680. 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 2025 were $7,662. 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 26,173 acres of ODF managed CSFL was approximately $151,896.

CSFL Revenues and Expenditures for FY 2025

Table 2: CSFL Revenues and Expenditures					
Expenditures and Transfers					
Category	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**
T & E Surveys	$95,611	$114,930	$118,627	$123,992	$118,471
Salem Program	$423,562	$400,838	$450,049	$360,614	$395,486
Total Salem Expenditures	$519,173	$515,768	$568,676	$484,606	$513,957
Total District Expenditures	$513,752	$536,027	$744,845	$670,494	$521,281
Administrative Transfers	$416,313	$228,753	$215,082	$250,826	$265,087
Total Expenditures + Transfers	**$1,449,238**	**$1,280,549**	**$1,528,603**	**$1,405,927**	**$1,300,325**
District Expenditures Prorated by Acres					
District	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**
Tillamook	$231,463	$199,248	$225,270	$269,430	$267,473
Astoria	$92,877	$85,222	$98,892	$103,090	$102,341
Forest Grove	$32,280	$28,991	$30,155	$30,527	$30,306
West Oregon	$373,341	$348,211	$390,496	$336,845	$334,398
North Cascade	$58,752	$52,947	$62,003	$46,191	$45,856
Western Lane	$424,068	$346,344	$467,494	$523,756	$519,951
Klamath-Lake	$236,456	$219,588	$254,293	$96,087	$0
Total Expenditures + Transfers	**$1,449,238**	**$1,280,549**	**$1,528,603**	**$1,405,927**	**$1,300,325**
CSFL Revenues					
District	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**
Tillamook	$54,561	$59,633	$220,166	$406,945	$926,673
Astoria	$2,881	$108,384	$841,037	$217,203	$998,949
Forest Grove	$1,542,376	$138,506	$540,195	$67	$136
West Oregon	$737,436	$1,754,192	$822,698	$1,359,684	$821,457
North Cascade	$2,325	$472,768	$0	$28,517	$1,994
Western Lane	$229,749	$637,707	$113,268	$250,753	($126)
Klamath-Lake	($503)	$9	$217,283	$51,453	$135
Revenues Transferred to DSL	**$2,568,825**	**$3,171,199**	**$2,754,647**	**$2,314,622**	**$2,749,217**

Details of FY 2025 Administrative Costs

Table 3: Details of FY 2025 Administrative Transfer Costs	
Administrative Revenue Transfers	**Amount**
Administrative Prorate Charge	**$267,680**
J.E. Schroeder Seed Orchard	**$7,662**
Residual Equity	**$33**
Bond Principal	**$0**
Bond Interest	**$0**
ADMINISTRATIVE TRANSFER COSTS TOTAL	**$275,375**

CSFL Historical Timber Harvest Value, Volume and Average Stumpage Prices for Fiscal Years 2016 – 2025

Table 4: Common School Forest Land Historical Timber Harvest Value, Volume and Average Stumpage Price Fiscal Years 2016 through 2025				
Fiscal Year	**[2] Timber Sales Value of Timber Removed**	**Timber Harvest Volume (MMBF) Removed**	**[1]Average Sold Sale Stumpage Price/MBF**	**Average Stumpage Harvested Price/MBF**
2025	$2,997,384	6.022	$561	$498
2024	$2,174,432	3.865	$518	$563
2023	$2,445,252	6.589	$485	$371
2022	$4,641,474	10.358	$454	$448
2021	$2,034,439	4.242	$404	$480
2020	$2,597,050	5.590	$439	$465
2019	$2,057,269	4.671	$170	$440
2018	$1,534,693	3.573	$476	$430
2017 Elliott State Forest (Coos District)	$2,691,137	7.758	$347	$347
2017 Other CSFL	$1,152,934	2.765	$413	$417
Total 2017	**$3,844,071**	**10.523**	**$413**	**$365**
2016 Elliott State Forest (Coos District)	$3,416,945	7.990	$327	$428
2016 Other CSFL	$2,454,497	6.170	$347	$398
Total 2016	**$5,871,441**	**14.160**	**$332**	**$415**
Last 5 Year Average	**$2,858,596**	**6.215**	**$484**	**$472**
10 Year Average	**$3,019,751**	**6.959**	**$425**	**$447**

[1] 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.
[2] Timber Sale Value is gross timber sales value before project work credits have been subtracted.

Forest Land Management

During FY 2025 ODF managed 26,173 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.

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	1,903
JACKSON	1,622
JOSEPHINE	3,961
KLAMATH	0
LANE	907
LINCOLN	4,477
LINN	90
MARION	720
POLK	1,690
TILLAMOOK	5,584
WASHINGTON	250
YAMHILL	80
GRAND TOTAL:	26,173

Timber Management Activities

A total of 10 active sales were harvested in FY 2025, producing 6.02 mmbf of volume with a value of $2,997,384 (Table 7). In addition, there were 2 sales sold in FY 2025, totaling approximately 1.16 mmbf of timber volume (Table 6).

All planned sales on CSFL in FY 2026 are estimated to produce 6.4 mmbf of timber volume with a net value of $3,141,009 (Table 9).

Reforestation and young stand management activities such as site preparation, planting and thinning are used to promote healthy and productive forest land. Table 8 summarizes planned and completed acres and costs for these activities on CSFL.

Table 10 provides information about the planned road system management by District for Board of Forestry and CSFL combined.

Timber Sales Sold During FY 2025

Table 6. Common School Forest Lands Timber Sales Sold in Fiscal Year 2025										
Sale Name	ODF District	(Fund 52) 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
All Terrain	West Oregon	50%	2,331	1,164	0	21	$82,530	$41,199	$1,308,857	**653,381**
Eagle	Klamath-Lake	0.01%	2,175	0	0	0	$28,293	$3	$320,923	**32**
		Totals	**4,506**	**1,164**	**0**	**21**	**$110,823**	**$41,202**	**$1,629,780**	**$653,413**

Activity Summary for FY 2025

Table 7. Active Timber Sales on Common School Forest Lands Volume and Value, Fiscal Year 2025					
Sale Name	District	Sale No.	%CSFL	MMBF Harvested	Value CSFL
All Terrain	West Oregon	WO-341-2025-W01088-01	50%	0.01	$4,219
Doe a Deer	West Oregon	WO-341-2024-W00994-01	92%	0.06	$41,928
Little Nicky Thin	Astoria	AT-341-2024-W00986-01	21%	0.18	$55,990
Lone Steere Thin	West Oregon	WO-341-2024-W01097-01	100%	0.14	$46,413
Long John	West Oregon	WO-341-2023-W00902-01	40%	0.73	$496,396
Middle Cole	Astoria	AT-341-2024-W01057-01	68%	1.40	$838,607
Roger Miller Combo	West Oregon	WO-341-2023-W00905-01	22%	0.22	$108,924
Salmon Forks Combo	West Oregon	WO-341-2024-W01090-01	9%	0.11	$48,675
Wolf of Haul Street	West Oregon	WO-341-2024-W01093-01	0%	0.00	$1,985
Wooden Corners	Tillamook	TL-341-2023-W00851-01	61%	3.18	$1,354,248
			Total	**6.02**	**$2,997,384**

Reforestation and Young Stand Management for FY 2025

Table 8: Young Stand Management Activities in CSFL in FY 2025			
Management Activity	**Acres Planned**	**Acres Completed**	**Total Cost**
Initial Planting*	95	38	$15,527
Interplanting	15	11	$4,286
Invasive Plant Control	25	0	$0
Precommercial Thinning	10	0	$0
Pruning	0	0	$0
Release-Chemical- Aerial	0	0	$0
Release-Chemical-Hand	57	118	$4,209
Release-Mechanical-Hand	20	25	$21,029
Site Prep-Mechanical	26	43	$1,303
Site Prep-Slash Burning	28	28	$2,492
Site Prep-Chemical- Aerial	0	0	$0
Site Prep-Chemical- Hand	95	25	$3,019
Surveys-Invasive Plants	0	25	$0
Surveys-Reforestation	232	263	$0
Tree Protection-Barriers**	0	7	$5,582
Tree Protection-Direct Control	0	13	$0
Underplanting*	0	0	$0
Total	**603**	**596**	**$57,446**

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

Planned Timber Sales for FY 2026

Table 9: Annual Operation Plan Timber Sales Planned in CSFL in FY 2026									
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**
Cold Creek	North Cascade	89%	800	712	37.4	0	$357,000	$86,737	$230,993
Miller Minute	West Oregon	59%	5,000	2,950	82.0	0	$2,376,900	$41,646	$1,360,725
Sager	Astoria	25%	10,000	2,500	52.3	0	$6,012,000	$46,775	$1,456,225
Steppinout	Forest Grove	28%	1,000	280	0	28.6	$428,400	$26,886	$93,066
		Total	**16,800**	**6,442**	**171.6**	**28.6**	**$9,174,300**	**$202,044**	**$3,141,009**

Table 10 provides information about the planned road system management by District for Board of Forestry lands and CSFL.

Road Management Activities for FY 2026 AOP

Table 10: FY 2026 AOP Planned Road Work

District	New Construction (miles)	Improvement, Rock, and/or Maintenance (miles)
Astoria	6.3	60.2
Forest Grove	7.2	101.2
Klamath-Lake	0	13.5
North Cascade	0.2	8.1
Tillamook	10.9	72.4
West Oregon	0.1	25.1
Western Lane	0.5	14.3
Total	**25.2**	**294.8**

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.

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

M E M O R A N D U M

Date: February 10, 2026

To: Governor Tina Kotek
Secretary of State Tobias Read
State Treasurer Elizabeth Steiner

From: Kaitlin Lovell
Director

Subject: Common School Fund Audit Report (Item 4)

The Department's auditors, Eide Bailly, will be presenting the 2025 governance letter and 2025 financial statements attached in the appendix.

The key items that will be addressed are as follows:

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

APPENDICES

A. Common School Fund 2025: Governance Letter
B. Common School Fund 2025: Final Financial Statements

November 13, 2025

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, 2025, and have issued our report thereon dated November 13, 2025. 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 August 28, 2025, 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 Common School Fund 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 13, 2025.

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.

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Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. A summary of the significant accounting policies adopted by the Common School Fund are described in Note 1 to the financial statements. GASB Statement No. 101, *Compensated Absences*, was implemented in fiscal year 2025. The adoption of this standard did not have an effect on the Common School Fund financial statements. 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, 2025.

Significant Difficulties Encountered during the Audit

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

Uncorrected and Corrected Misstatements

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

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

Overstatement of Deposit Liability	$6,498,022

The effect of this uncorrected misstatement, including the effect of the reversal of prior year uncorrected misstatements as of and for the year ended June 30, 2025, is an understatement of beginning net position of $5,880,232 and an understatement of current year change in net position of $617,790.

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, 2025, or the changes in their financial position for the year then ended in accordance with accounting principles generally accepted in the Unites States of America. Our opinion is not modified with respect to this matter.

Representations Requested from Management

We have requested certain written representations from management which are included in the management representation letter dated November 13, 2025.

Management's Consultations with Other Accountants

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

Other Significant Matters, Findings, or Issues

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

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

Very truly yours,

Eide Bailly LLP

Boise, Idaho

Common School Fund

Annual Financial Report

For the Fiscal Year Ended June 30, 2025

Oregon Department of State Lands

An Agency of the State of Oregon

Kaitlin Lovell
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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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, 2025, 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, 2025, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Common School Fund of the State of Oregon as of June 30, 2025, and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 1, the financial statements of the Common School Fund of the State of Oregon are intended to present the financial position and the changes in financial position that is attributable to the transactions of the Common School Fund. They do not purport to, and do not, present fairly the financial position of the State of Oregon, the Department of State Lands, or the Oregon State Treasury as of June 30, 2025, the changes in its financial position, or, where applicable, its cash flows 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.

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Other Matter

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2025, on our consideration of the Common School Fund of the State of Oregon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Common School Fund of the State of Oregon's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Common School Fund of the State of Oregon's internal control over financial reporting and compliance.

Eide Bailly LLP

Boise Idaho
November 13, 2025

BASIC FINANCIAL STATEMENTS

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Balance Sheet
June 30, 2025

ASSETS		
Cash and Cash Equivalents	$	121,486,270
Cash and Cash Equivalents, Restricted		1,036,059
Investments		2,619,882,384
Investments, Restricted		239,792,413
Securities Lending Collateral		10,499,365
Accounts and Interest Receivables		5,278,500
Due from Other Funds		221,763
Advances to Other Funds		300,000
Net Contracts, Notes, and Other Receivables		36,542
Total Assets	$	2,998,533,296
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable	$	14,795,230
Obligations Under Securities Lending		10,499,365
Due to Other Funds		580,905
Deposit Liabilities		387,421,642
Total Liabilities		413,297,142
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue - Contracts		36,542
Total Deferred Inflows of Resources		36,542
Fund Balances:		
Restricted by:		
Oregon Constitution		1,639,719,381
Enabling Legislation		945,480,231
Total Fund Balances		2,585,199,612
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$	2,998,533,296

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, 2025

REVENUES	
Licenses and Fees	$ 618,538
Federal	1,301,517
Charges for Services	277,385
Rebates and Recoveries	1,298
Fines, Forfeitures, and Penalties	186,088
Rents and Royalties	5,647,458
Investment Income	286,766,850
Sales	139,085
Unclaimed and Escheat Property Revenue	175,769,418
Other	379,232
Total Revenues	471,086,869
EXPENDITURES	
Personal Services	16,131,371
Services and Supplies	11,038,947
Intergovernmental	675,000
Special Payments	4,303
Capital Improvements	2,497,154
Debt Service:	
Principal	452,552
Interest	141,487
Investment Expenditures	10,495,374
Total Expenditures	41,436,188
Excess of Revenues Over Expenditures	429,650,681
OTHER FINANCING SOURCES (USES)	
Transfers from Other Funds	3,213,777
Transfers to Other Funds	(165,842,909)
Insurance Recoveries	798,372
Total Other Financing Sources (Uses)	(161,830,760)
Net Change in Fund Balances	267,819,921
Fund Balances - Beginning	2,317,379,691
Fund Balances - Ending	$ 2,585,199,612

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).

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 of the State of Oregon 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 in investment funds held by a trustee.

<u>Investments</u>

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

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

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

<u>Derivatives</u>

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

E – RECEIVABLES AND PAYABLES

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

F – INTERFUND TRANSACTIONS

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

G – RESTRICTED ASSETS

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

H – FUND BALANCES

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

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

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

NOTE 2 – DEPOSITS AND INVESTMENTS

Common School Fund Investment Portfolio Held at Treasury

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

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

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

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

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

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

Common School Fund Investments Held Outside Treasury

Statutes govern the placement of investments of the Common School Fund held outside Treasury as part of trust agreements or mandatory asset holdings by regulatory agencies. The Common School Fund investment portfolio includes $239.8 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, 2025, $1 million in other depository balances of the Common School Fund was held by AVENU not covered by the FDIC rules. However, the firms are members of the Securities Investor Protection Corporation (SIPC) which provides protection up to $500 thousand, of which $250 thousand applies to cash credit balances. Consequently, $250 thousand was insured by SIPC and $786 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, 2025, no investment holdings of the Common School Fund held at Treasury were exposed to custodial credit risk.

As of June 30, 2025, the Common School Fund held $243.4 million in investments outside Treasury. AVENU and other investment firms held investments totaling $239.8 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 $3.6 million of real estate property. All the investment holdings of the Common School Fund held outside Treasury other than the real estate property were registered in the Treasury's name and therefore not exposed to custodial credit risk. The real estate property is registered in the Department's name and therefore not exposed to custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk (variable in value) borne by an interest-bearing asset such as a loan or a bond, due to variability of interest rates. Approximately 23.99% 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 $80.9 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 $8.1 million of asset-backed securities backed primarily by student loan and manufactured housing loan receivables.

The credit rating of the Common School Fund's investments held at Treasury and using the segmented time distribution method as of June 30, 2025, follows:

		Investment Maturities (in years)				
Investment Type	**Credit Rating[1]**	**Less than 1**	**1 to 5**	**6 to 10**	**More than 10 or none**	**Total Market Value**
U.S. Treasury	Exempt	$ 5,465,887	$ 80,188	$ 56,133,880	$ 15,553,323	$ 77,233,278
U.S. Treasury TIPS	Exempt	-	-	740,843	-	740,843
Federal agency STRIPS	Exempt	9,546	2,532	200,187	-	212,265
Federal agency TBA	Not Rated	5,682,916	-	-	-	5,682,916
Federal agency TBA	Exempt	2,996,169	-	-	-	2,996,169
U.S. Federal agency mortgages	Not Rated	13,811,832	2,686,893	27,119,736	1,672,469	45,290,930
U.S. Federal agency mortgages	Exempt	924,192	1,318,026	10,613,185	250,564	13,105,967
Total U.S. government debt		28,890,543	4,087,639	94,807,831	17,476,357	145,262,369
Corporate bonds	AAA	1,775,874	178,160	-	97,299	2,051,333
	AA	525,961	551,758	889,943	1,181,172	3,148,834
	A	11,262,448	6,056,039	4,462,893	6,044,962	27,826,342
	BBB	11,878,676	13,856,596	9,479,884	10,129,259	45,344,415
	BB	1,041,394	1,525,984	1,364,552	1,157,279	5,089,209
Total corporate bonds		26,484,352	22,168,537	16,197,272	18,609,971	83,460,133
Non-U.S. government debt	BBB	-	-	-	1,992,964	1,992,964
	BB	-	-	-	465,642	465,642
Total non-U.S. government debt		-	-	-	2,458,606	2,458,606
Asset-backed securities	AAA	1,661,423	1,281,904	150,435	-	3,093,762
	AA	685,973	162,376	-	-	848,349
	A	2,259,786	202,863	335,317	265,503	3,063,469
	BBB	460,900	578,498	-	-	1,039,398
	BB	8,958	-	-	-	8,958
	CC	57,537	-	-	-	57,537
Total asset-backed securities		5,134,577	2,225,640	485,753	265,503	8,111,473

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Investment Type	Credit Rating[1]	Investment Maturities (in years) Less than 1	1 to 5	6 to 10	More than 10 or none	Total Market Value
Collateralized mortgage obligations	AAA	5,457,282	-	-	-	5,457,282
	AA	17,734	-	-	-	17,734
	A	917,261	-	-	-	917,261
	BBB	2,103,348	-	-	-	2,103,348
	BB	239,707	-	-	-	239,707
	B	427,771	-	-	-	427,771
	CCC	39,814	-	-	-	39,814
	Not Rated	26,091	-	-	-	26,091
Total collateralized mortgage obligations		9,229,009	-	-	-	9,229,009
Collateralized mortgage-backed securities	AAA	8,469,169	1,685,380	-	-	10,154,549
	AA	1,191,383	659,508	-	-	1,850,891
	A	614,649	-	-	-	614,649
	BBB	703,886	-	-	-	703,886
Total collateralized mortgage-backed securities		10,979,088	2,344,888	-	-	13,323,976
Domestic fixed income funds	Not Rated	-	-	-	365,887,143	365,887,143
Total debt investments		$ 80,717,569	$ 30,826,704	$111,490,856	$404,697,580	627,732,708
Domestic equity securities						98,728,671
International equity securities						239,858,685
Domestic equity funds						645,053,866
International equity funds						357,212,377
Global Equity Fund						91,197,150
Private equity holdings						174,849,186
Domestic real estate investment trusts						8,496
International real estate investment trusts						1,776,904
Real estate LP						17,113,117
Real estate open ended funds						185,590,687
Alternative diversifying strategies						98,677,339
Alternative real assets						78,468,197
Total investments held at Treasury						$2,616,267,384

[1] Investments of $77,233,278 in U.S. Treasury securities, $740,843 in U.S. Treasury Inflation Protected Securities (TIPS), $212,265 in Federal Agency STRIPS, $8,679,085 in Federal Agency TBA, and $13,465,471 in Government National Mortgage Association (GNMA), which are reported within U.S. Federal agency mortgages, are explicitly guaranteed by the U.S. government, and therefore, are exempt from credit risk disclosure requirements.

Investments Held at Treasury

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

Investments Held Outside Treasury

The following table shows the credit rating and segmented time distribution for Investments held outside Treasury as of June 30, 2025.

Investment Type	Credit Rating	Investment Maturities (in years) Less than 1	1 to 5	6 to 10	More than 10 years	Total Market Value
U.S. Treasury Securities	Exempt	$ 4	$ 109	$ 660	$ 88,451	$ 89,224
GNMA	Exempt	-	28	455	-	483
Municipal Bonds	Not Rated	-	19,666	-	39,351	59,017
International Debt Securities	BB	-	6	-	-	6
Corporate Bonds	A	-	-	15,817	-	15,817
Corporate Bonds	BB	-	-	5,301	-	5,301
Corporate Bonds	BBB	-	-	17,390	-	17,390
Corporate Bonds	Not Rated	4	20	26,410	15	26,449
Debt Investments		$ 8	$ 19,828	$ 66,033	$ 127,817	213,686
Mutual Funds						75,697,753
Domestic Equity Securities						163,577,058
International Equity Securities						303,916
Real Estate						3,615,000
Total Investments Held Outside Treasury						$243,407,413

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, 2025, follow:

	Deposits and Investments (U.S. Dollars)					
Foreign Currency Denominations	Deposits	Corporate Bonds	International Equity Securities	Private Equity	International Real Estate	Total
United Arab Emirates Dirham	$ 3,492	$ -	$ 3,595,318	$ -	$ -	$ 3,598,810
Australian Dollar	-	-	4,933,240	-	-	4,933,240
Brazilian Real	7,093	-	1,115,083	-	-	1,122,176
Canadian Dollar	32,045	-	10,786,897	-	107,887	10,926,829
Swiss Franc	2,336	-	12,662,246	-	-	12,664,582
Chilean Peso	-	-	407,894	-	-	407,894
Chinese Yuan	2,749,414	-	-	-	-	2,749,414
Chinese Yuan Renminbi	(2,635,978)	-	3,635,869	-	-	999,891
Czech Koruna	-	-	183,401	-	-	183,401
Danish Krone	73,168	-	3,823,172	-	-	3,896,340
Euro	77,708	-	62,069,283	18,680,989	-	80,827,980
British Pound	204	-	59,252,648	-	-	59,252,852
Hong Kong Dollar	4,587	-	22,653,783	-	-	22,658,370
Hungarian Forint	-	-	538,525	-	-	538,525
Indonesian Rupiah	9,633	-	901,069	-	-	910,702
Indian Rupee	-	1,588,233	-	-	-	1,588,233
Israeli New Shekel	2,901	-	235,282	-	-	238,183
Japanese Yen	117,440	-	29,644,076	-	-	29,761,516
Korean Won	10,632	-	6,922,545	-	-	6,933,177
Kuwaiti Dinar	10,501	-	2,109,641	-	-	2,120,142
Mexican Peso	-	-	420,708	-	115,345	536,053
Norwegian Krone	-	-	1,224,716	-	-	1,224,716
New Zealand Dollar	-	-	30,932	-	-	30,932
Philippine Peso	1,350	-	461,059	-	-	462,409
Polish Zloty	4,852	-	3,095,120	-	-	3,099,972
Qatari Riyal	11,555	-	-	-	-	11,555
Saudi Riyal	-	-	2,627,337	-	33,653	2,660,990
Swedish Krona	8,079	-	4,663,477	-	-	4,671,556
Singapore Dollar	262,723	-	1,447,287	-	1,500,431	3,210,441
Thai Baht	-	-	1,763,993	-	19,587	1,783,580
Turkish Lira	-	-	306,437	-	-	306,437
New Taiwan Dollar	-	-	12,381,215	-	-	12,381,215
South African Rand	95	-	1,468,680	-	-	1,468,775
Total	$ 753,830	$1,588,233	$255,360,933	$ 18,680,989	$ 1,776,903	$ 278,160,888

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

Private equity consists of 23 funds, organized as limited partnerships and limited liability companies, participating in diversified strategies including leveraged-buyouts, venture capital, growth equity, fund of funds, co-investments and special situations. The fair values of the private equity investments have been determined using the NAV per share (or its equivalent) as provided by the general partner or managing member. These funds have a finite term. Distributions will be received as the underlying investments of the funds are liquidated, which is expected to occur over the next 12-14 years.

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

Alternative equity funds seek to provide diversification and inflation hedging characteristics to the Common School Fund and includes investments with a focus on infrastructure. Alternative equity consists of 20 investments in commingled funds organized as limited partnerships and limited liability companies. The fair values of the investments have been determined using NAV per share (or its equivalent) of the investments as provided by the fund manager. For alternative real assets, which includes 10 of the 20 funds, the funds have a finite term. Distributions will be received as the underlying investments of the funds are liquidated, which is expected to occur over the next 8 to 12 years. Alternative diversifying strategies permit periodic redemption of shares, subject to certain requirements being met, and consist of 10 funds investing in diversifying hedge strategies.

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

The following table shows the fair value classification hierarchy for investments as of June 30, 2025:

Investments by Fair Value Level	Fair Value Classification Hierarchy			Total
	Level 1	Level 2	Level 3	Investments
Investments Held at Treasury				
U.S. Treasury	$ -	$ 77,233,278	$ -	$ 77,233,278
U.S. Treasury TIPS	-	740,843	-	740,843
U.S. Federal Agency Strips	-	212,265	-	212,265
U.S. Federal Agency TBA	-	8,679,085	-	8,679,085
U.S. Federal Agency Mortgages	-	58,396,897	-	58,396,897
Corporate Bonds	-	83,460,133	-	83,460,133
Non-US Government Debt	-	2,458,606	-	2,458,606
Asset-backed Securities	-	8,111,473	-	8,111,473
Collateralized Mortgage Obligations	-	9,229,008	-	9,229,008
Collateralized Mortgage-backed Securities	-	13,323,976	-	13,323,976
Total debt securities	-	261,845,564	-	261,845,564
Domestic equity securities	338,586,737	-	620	338,587,357
Domestic equity funds	123,833	-	-	123,833
International equity funds	57,564,857	-	-	57,564,857
Real Estate Investment Trust	1,785,400	-	-	1,785,400
Investments measured at fair value	398,060,827	261,845,564	620	659,907,011
Investments Measured at Net Asset Value (NAV):				
Domestic equity funds				644,930,033
International equity funds				299,647,520
Global equity funds				91,197,150
Domestic Fixed Income funds				365,887,143
Private equity				174,849,186
Real estate LP				17,113,117
Real estate open ended funds				185,590,687
Alternative diversifying strategies				98,677,340
Alternative real assets				78,468,197
Total investments measured at NAV				1,956,360,373
Total Investments Held at Treasury				2,616,267,384
Investments Held Outside Treasury				
U.S. agency securities	-	89,224	-	89,224
GNMA	-	483	-	483
Municipal bonds	-	59,017	-	59,017
Corporate bonds	-	64,957	-	64,957
Domestic equity securities	163,557,217	19,841	-	163,577,058
International equity securities	303,916	-	-	303,916
Real Estate	-	-	3,615,000	3,615,000
International debt securities	-	6	-	6
Mutual funds	75,697,753	-	-	75,697,753
Total Investments Held Outside Treasury	239,558,886	233,528	3,615,000	243,407,413
Total Investments by fair value level	$637,619,713	$ 262,079,092	$3,615,620	$ 2,859,674,797

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, 2025.

Investments Measured at Net Asset Value (NAV)	Fair Value	Unfunded Commitments[1]	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Domestic fixed income funds	$ 365,887,143	$ -	Daily	5 days
Domestic equity funds	644,930,033	-	Daily	2 days
International equity funds	299,647,520	-	Daily, Quarterly	2 - 120 days
Global equity funds	91,197,150	-	Daily Quarterly	2 - 120 Days
Real estate LP	17,113,117	22,681,329	NA	NA
Real estate open-ended funds	185,590,687	802,548	Monthly, Quarterly	15 days
Alternative real assets	78,468,197	78,808,592	NA	NA
Alternative diversifying strategies	98,677,340	-	Monthly, Quarterly	2 - 65 days
Private equity	174,849,186	115,319,109	NA	NA
Total Investments at fair value	$ 1,956,360,373	$217,611,577		

[1] Excludes new commitments not yet funded at June 30, 2025.

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, 2025.

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, 2025, the fair value of cash and non-cash collateral received was $69.9 million and invested cash collateral was $10.3 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, 2025, Common School Fund's allocated portion of cash collateral received and invested cash collateral were $204 thousand and $204 thousand, respectively. Securities on loan from OSTF in total included U.S. Agency securities (94.77%), and domestic fixed income securities (5.23%).

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

The maturities of investments made with cash collateral did not generally match the maturities of the securities loaned. Since the securities loaned are callable on demand by either the lender or borrower, the life of the loans at June 30, 2025, is effectively one day. On June 30, 2025, the Common School Fund had no credit risk exposure to borrowers because the amounts the State owes to borrowers exceed the amounts borrowers owe the State. The following table shows the combined balances of the securities on loan, cash and securities collateral received, and investments of cash collateral held.

Securities Lending as of June 30, 2025			
Investment Type	**Cash and Securities Collateral Received**	**Securities on Loan at Fair Value**	**Investments of Cash Collateral at Fair Value**
U.S. Treasury securities	$ 3,461,650	$ 3,425,387	$ -
U.S. Agency securities	52,199,650	51,339,338	-
Domestic equity securities	10,394,431	10,026,937	7,742,140
Domestic debt securities	2,913,338	2,868,582	2,440,284
International equity securities	971,180	860,983	113,703
	69,940,249	68,521,227	10,296,127
Allocation from Oregon Short-Term Fund	5,185,450	5,083,112	204,298
Total	$ 75,125,699	$ 73,604,339	$ 10,500,425

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, 2025:

		Currency Forward Contracts		
Currency	**Options**	**Net Receivables**	**Net Payables**	**Total Exposure**
Canadian Dollar	$ -	$ 124	$ (46)	$ 78
Indian Rupee	-	-	(15,641)	(15,641)
Total	$ -	$ 124	$ (15,687)	$ (15,563)

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

The following table shows the related net depreciation in fair value amounts and the notional amounts of derivative instruments outstanding within the Common School Fund as of June 30, 2025:

Investment Derivatives	Net Appreciation/ (Depreciation) in Fair Value [1,4]	Classification	Fair Value [2]	Notional Value [3]
Foreign Exchange Forwards	$ 471,798	Long Term Instruments	$ (15,562)	$ 1,587,265
Rights	21,999	Common Stock	-	-
Warrants	1,146	Common Stock	-	-
Total	$ 494,943		$ (15,562)	$ 1,587,265

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

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

NOTE 4 – RECEIVABLES AND PAYABLES

A – RECEIVABLES

The following table disaggregates receivable balances reported in the financial statements as accounts and interest receivable (net), and Net Contracts, Notes, and Other Receivables. Receivable reported for governmental activities as of June 30, 2025:

Accounts and Interest Receivables	Total
General accounts	$ 53,587
Due from federal government	170,714
Interest	3,126,967
Investment broker receivable	1,927,232
Accounts and Interest Receivable, net	$ 5,278,500

Net Contracts, Notes, and Other Receivables	Total
Contracts, Notes, and Other Receivables	$ 20,472,369
Allowance for doubtful accounts	(20,435,827)
Net Contracts, Notes, and Other Receivables	$ 36,542

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, 2025:

Accounts Payable	**Total**
General accounts payable	$ 2,677,171
Investment broker payable	12,118,059
Total payables	$ 14,795,230

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 50.7% of the total unclaimed property being held. Starting the fiscal year 2022, the Treasury took responsibilities for all new deposit liabilities. All deposit liabilities prior to the fiscal year 2022 remain the responsibility of the Department. The total legal liability for the unclaimed property program as of June 30, 2025, was $1.4 billion. The accumulated annual adjustment as of June 30, 2025, was $1 billion.

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

A – LEASES - LESSEE

The Department and the Treasury have various non-cancelable rental agreements for buildings and equipment with non-state entities that are accounted under the lease guidance GASB Standard No. 87, *Leases*. For the year ended June 30, 2025, the principal and interest payments are reported as debt service payments in the amount of $204 thousand and $100 thousand, respectively. Lease liabilities and assets are recorded in the State of Oregon's Annual Comprehensive Financial Report for the year ended June 30, 2025, 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, 2025:

Year ending June 30,	**Principal**	**Interest**
2026	$ 227,533	$ 90,539
2027	244,061	83,696
2028	260,479	80,175
2029	176,162	76,328
2030	170,316	72,129
2031-2035	1,098,758	283,939
2036-2040	1,286,298	136,462
2041-2045	510,571	9,850
Total	$ 3,974,177	$ 833,119

B – SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITAs)

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

Department has entered into an additional subscription contract that has not yet been commenced, of which a total of $1.4 million has been committed for the year ending June 30, 2025, related to implementation cost. The subscription for software related to the Department's Land Administration System Replacement Project is estimated to commence in October of 2026 and will be recognized by the Department at that time. For the year ended June 30, 2025, the principal and interest payments are reported as debt service payments in the amount of $248 thousand and $42 thousand, respectively. SBITA liabilities and assets are recorded in the State of Oregon's Annual Comprehensive Financial Report for the year ended June 30, 2025, Statement of Net Position. The following table shows future minimum SBITA payments and the related net present value as of June 30, 2025:

Year ending June 30,	Principal	Interest
2026	$ 264,273	$ 34,240
2027	281,024	26,444
2028	298,539	18,154
2029	316,846	9,347
Total	$ 1,160,682	$ 88,185

C – LEASE RECEIVABLES

The Department receives rental income from land and property leased to non-state entities. For the year ended June 30, 2025, the Department received rental income of $65 thousand on leased assets with a fair market value of $3.6 million. The leased assets are considered investments of the Department and is excluded from the lease guidance GASB Standard No. 87, *Leases*. Future minimum lease revenues for non-cancelable leases as of June 30, 2025:

Year ending June 30,	Amount
2026	$ 67,048
2027	69,060
2028	71,132
2029	54,540
Total future minimum rental revenues	$ 261,780

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, 2025, the Department has remaining contracts for Portland Harbor cleanup activities estimated at $821 thousand. The pollution remediation obligation of $821 thousand for the Portland Harbor Superfund site is recorded in the State of Oregon's Annual Comprehensive Financial Report for the year ended June 30, 2025, Statement of Net Position.

NOTE 7 – INTERFUND TRANSACTIONS

Interfund balances reported in the financial statements as of June 30, 2025:

	Due from Other Funds			
Due to Other Funds	**General**	**Environmental Management**	**Custodial**	**Common School**
Environmental Management	$ -	$ -	$ -	$ 573,916
Common School	2,288	87,922	131,553	-
Internal Service	-	-		6,989
Total	$ 2,288	$ 87,922	$ 131,553	$ 580,905

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

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

NOTE 8 – RELATED PARTY TRANSACTIONS

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

The State Land Board, which consists of the Governor, Secretary of State and Treasurer, is the trustee of the Common School Fund as outlined in the Oregon Constitution. The Common School Fund's investment policies are governed by statute and the Oregon Investment Council. The Treasurer is the investment officer for the Investment Council. During the year ended June 30, 2025, the Common School Fund paid Treasury $717 thousand in fees for the management of the Common School Fund investment portfolio.

NOTE 9 – RISK FINANCING

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

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

NOTE 10 – FUND BALANCES

Restricted fund balances result from constraints imposed by law through constitutional provisions or enabling legislation or by parties outside the State, such as creditors, grantors, contributors, or laws or regulations of other governments. Enabling legislation authorizes the Department to levy, access, charge, or otherwise mandated payment from external resource providers and includes a legally enforceable requirement that those resources be used only for specific purposes stipulated by the legislation. As of June 30, 2025, the Common School fund balance of $2.6 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, 2025, the Department had the following personal services contract commitments in effect:

Funding Source	Total
Other Funds	$ 16,082,031

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, 2025, the Common School Fund had approximately $287.6 million in commitments to purchase private equity, alternatives and real estate open-ended fund investments. These amounts are unfunded and are not recorded in the financial statements.

NOTE 12 – CONTINGENCIES

PORTLAND HARBOR SUPERFUND SITE

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

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

In 2017, EPA issued its final cleanup plan for the Site called the “Record of Decision” (ROD). The ROD requires active remediation (through dredging, capping, enhanced natural recovery, and monitored natural recovery) of nearly 400 acres of contaminated sediments and over 20,000 lineal feet of riverbank. EPA’s initial estimate for full performance of the remedy was $1.7 billion (or $1.05 billion discounted present value) and 13 years; other parties now estimate that it is a roughly $4 to 6 billion remedy that will take 20 years to complete. Liable parties under CERCLA are responsible for funding this remedial action, as well as preliminary actions such as additional investigations, remedial design, and agency oversight. EPA has asked potentially responsible parties (PRPs) to step forward to perform components of the ROD or risk an enforcement action. Numerous parties, including the Department and ODOT, have entered into Administrative Settlements and Orders on Consent with EPA to perform pre-remedial design and related work.

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

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

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

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

OTHER REPORTS

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

State Land Board
Oregon Department of State Lands
Salem, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Common School Fund, a major governmental fund of the State of Oregon, which comprise the balance sheet as June 30, 2025, 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 13, 2025.

Report on Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Common School Fund'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.

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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 were not 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.

Eide Bailly LLP

Boise, Idaho
November 13, 2025

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

M E M O R A N D U M

Date: February 10, 2026

To: Governor Tina Kotek
Secretary of State Tobias Read
State Treasurer Elizabeth Steiner

From: Kaitlin Lovell
Director

Subject: Annual Report of the Real Property Program (Item 5)

Oregon's 680,000 acres of school lands provide diverse value to people in the state including revenue generation for the Common School Fund, economic opportunities in Eastern Oregon, and habitat improvements for important species like greater sage grouse. The Department of State Lands manages these lands through its Real Property Program, staffed by a 13-person team based in the Bend office.

The Real Property Program Annual Report for July 1, 2024, to June 30, 2025 (FY25) highlights the year's main themes, program activities, and plans for the year ahead. It also includes details on the school lands portfolio, financial performance, land sales, and authorizations.

The report provides current information on how Oregon's school lands are managed and a snapshot of program performance allowing the agency to track progress and adaptively manage the program.

APPENDICES

A. Annual Report of the Real Property Program, FY 2025

Annual Report of the Real Property Program

Sustainable Land Management
Fiscal Year 2025

OREGON DEPARTMENT OF STATE LANDS

TABLE OF CONTENTS

Travis Simpson, Rangeland Property Tech, mending a fence on school land in Prineville

MEET THE PROGRAM

Of the Department's approximately 763,000 acres of lands and waterways, 680,000 acres are called *school lands*. School lands provide diverse value to people in the state including revenue generation for the Common School Fund, economic opportunities in Eastern Oregon, and habitat improvements for important species like greater sage grouse. The Department of State Lands, specifically the Real Property Program, manages these lands. Real Property is staffed by 13 people in the Bend field office.

This Real Property Program Annual Report for July 1, 2024, to June 30, 2025 (FY25) covers the land management efforts on school lands including three key takeaways of the year, summaries of the program, and the outlook in the coming year. Additional information at the end of the report reviews the current school lands portfolio, analyzes school land financial performance, and details land sales and authorizations. Starting this year, the Real Property Program no longer reports on the Elliott State Research Forest activities or financial results. In addition, acreages and forestland reporting has been updated to align with the Asset Management Plan, adopted in December 2024.

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.

Rangeland Manager Randy Wiest has been with the Real Property Program since 2001

PROGRAM SERVICES

Leasing Rangelands

We manage a variety of leases, licenses, easements on 624,000 acres of rangeland, including providing grazing opportunities to local ranchers, communication towers, firewood gathering, and solar energy planning.

More information

Working Forestlands

We oversee management of approximately 39,000 acres of forestlands. State forestlands provide clean water, recreation, habitat, and carbon sequestration, all while supporting local economies through sustainable harvest.

More information

Leasing Agricultural Lands

We lease approximately 7,000 acres of lands for agricultural use, which provide crop production opportunities to local farmers in rural economies of central and eastern Oregon.

More information

Land Transactions & Ownership

We respond to the evolving community needs around land by providing land transaction services for Department-managed land as well as mineral rights transactions for other state agencies.

More information

Protecting Cultural Resources

Through consultation with Oregon's nine federally recognized Tribes and the State Historic Preservation Office, our statewide archaeologist is dedicated to protecting Oregon's cultural resources on State lands.

More information

Industrial, Commercial, & Residential Lands

We manage approximately 4,000 acres of land near urban areas that are managed to maximize benefits to the Common School Fund through development or holding for eventual sale or development.

More information

Habitat Protection

Often with the help of partners, our management of school lands benefit fish and wildlife habitat, including habitat for sensitive species like greater sage-grouse.

More information

Maintaining Public Access

In our management of lands, we maintain open lands for recreation, including hunting, fishing, hiking, and mountain biking.

More information

Diatomaceous earth mining facility on 659 acres of school lands in Harney County

FISCAL YEAR 2025 IN NUMBERS

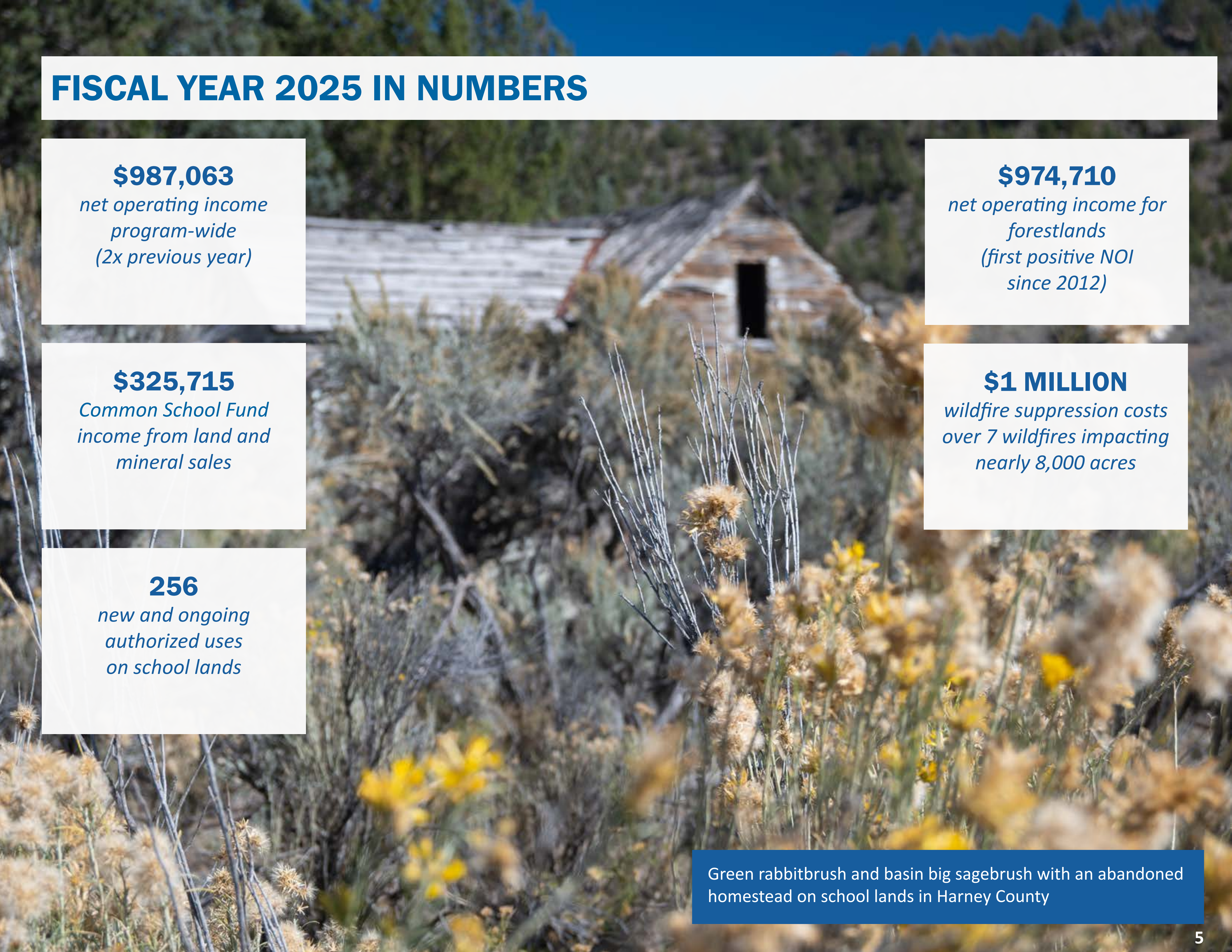
$987,063
net operating income program-wide (2x previous year)

$325,715
Common School Fund income from land and mineral sales

256
new and ongoing authorized uses on school lands

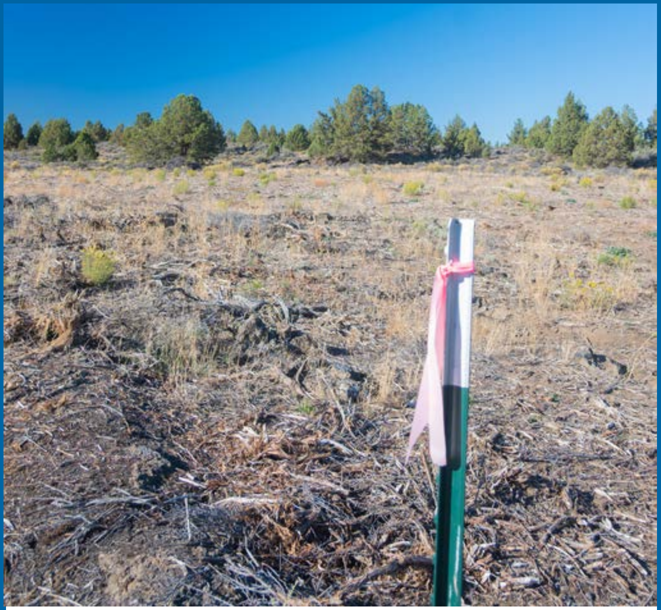
$974,710
net operating income for forestlands (first positive NOI since 2012)

$1 MILLION
wildfire suppression costs over 7 wildfires impacting nearly 8,000 acres



Green rabbitbrush and basin big sagebrush with an abandoned homestead on school lands in Harney County

TAKEAWAYS FROM THIS REPORT



1. Meeting Real Estate Needs

2. Managing Wildfire Costs

3. Updating Communication Sites

1. Meeting Real Estate Needs

The Department's land transactions and most of the State of Oregon's subsurface mineral and geothermal rights rest with the Real Property program to manage.

The Program usually has over a dozen active transactions at some stage between application and closing, including land sales, acquisitions, exchanges, mineral releases, title work, and more. Other transactions exist that are on hold or need further planning efforts.

21
active transactions incl. sales, acquisitions, & exchanges

5
completed transactions incl. land sale, mineral sale, & deed exchanges

$325,715
revenue from land and mineral transactions

96 STEPS
required to be completed on the Land Sale checklist

Challenge

There is one Land Transaction Analyst dedicated to land transactions in Real Property. Five staff provide assistance in these transactions, and occasionally, the Department of Administrative Services and a commercial brokerage contractor. Sales and acquisitions are time-consuming and require regular attention to due diligence work because there are protracted steps including: land use planning, negotiating terms, internal checklists, field inspections, appraisals, cultural assessments, Land Board approval(s), and legal matters to work through. Transactions with government agencies involve public notices and approval processes. Many of these transactions can take years to complete.

Next Steps

The Real Property Program is currently managing several high-profile transactions:

- The sale of 260-acres in Bend to a large Oregon-based homebuilder in early 2026
- 910-acres of industrial land in Redmond: subdividing the site, planning infrastructure and prepping for sales in the near-term (10+ year estimated completion timeline)
- 80-acres of recently acquired residential-zoned land in La Pine: planning the site for eventual sale on a multi-year timeline

STEVENS TRACT TIMELINE

Process to build housing on school lands in Bend

- **2017** — Land Board approves initiation of sale
- **2021** — Legislature allows expansion of Bend's Urban Growth Boundary and dedicates affordable housing
- **2024** — Land Board approves brokered sale by bid, Bend expands Urban Growth Boundary, and purchase and sale agreement signed
- **2026** — Expected close

2. Managing Wildfire Costs

From healthy forest management to landscape scale restorations reclaiming rangeland from invasive grasses, the Department spends time and money managing lands for wildfire prevention. But for active wildfire, the Department relies on partners.
For forestlands, the Department pays fire protection fees to the Oregon Department of Forestry (ODF). These fees act as insurance and cover the cost of fire suppression work.

On eastern Oregon rangelands, the Department relies on the Bureau of Land Management (BLM) for wildfire response and suppression. As fires occur, the BLM crews manage wildfire incidents and bill the Department for propotional costs.

$1 MILLION
in wildfire suppression and protection costs

$83,600
invoiced by BLM for extinguishing 0.4-acre wildfire

7,960 ACRES
of school land burned by 7 different wildfires

Challenge

The unpredictable cost of wildfire suppression poses budgetary challenges for the Department. In FY25, the ODF protection fee was $286,000 for school lands, mostly forestlands. BLM suppression costs were $745,668 for 8,000-acres of wildfires on rangelands.

There is potential for these costs to increase in multiple ways, including increased fees; BLM has indicated additional fees for fire preparedness may be imposed when our current agreement expires in FY27.

Next Steps

As fire frequency has increased, expenditures on wildfire suppression have been significant to DSL and may become increasingly impactful.

Real Property may continue to rely on ODF, BLM, and 16 rangeland fire protection associations for handling wildfire on State of Oregon lands. The Department is evaluating all options, both internally and with its partners, on fees, coverage areas, and suppression standards. For example, some rangelands may not warrant the expense of aerial fire suppression if there are no structures nearby to protect. The priority is to keep school lands sustainable to ensure Common School Fund performance.

3. Updating Comms Sites

Real Property manages 29 leases on six communication tower sites in four counties.

The largest are in eastern Oregon: Burns Butte and Steens Mountain. The three sites in western Oregon are all within the Elliott State Research Forest: Dean Mountain, Baldy Butte, and Shutter Creek. Eight Dollar Mountain is in southern Oregon.

Communication sites provide critical services to Oregon's rural communities, including broadband, radio, and emergency services.

29 LEASES
on communication sites managed by the Department

$57,400
revenue for all communication site leases

19 RENEWALS
of leases active

6 LEASES
of macro cellular towers

Challenge

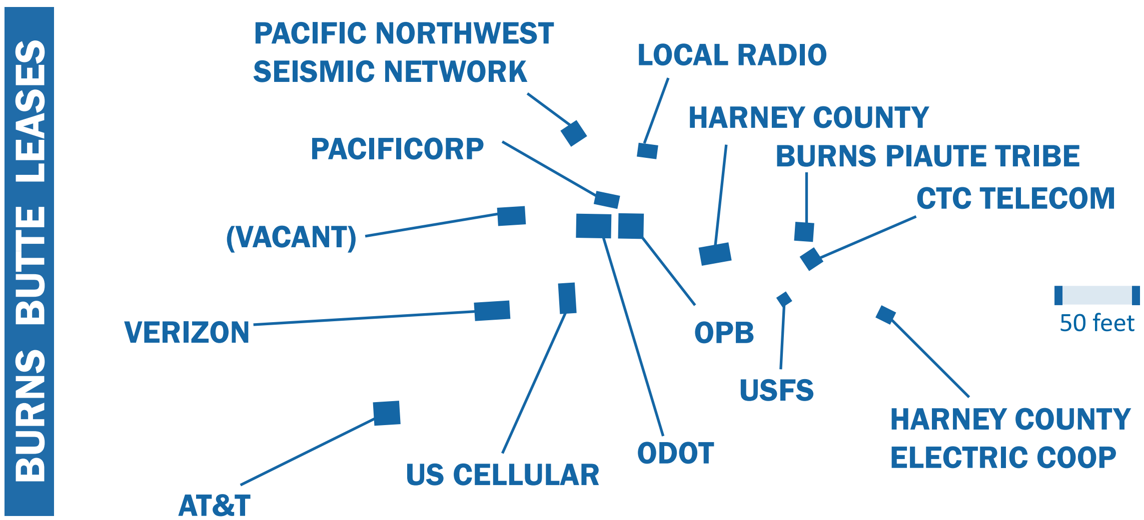
Sites for traditional communication facilities are inherently limited due to the topographic requirements of communication equipment, so profitability of existing sites is key.

In December 2024, the Land Board approved new administrative rules for communication site leasing. The rulemaking required updating lease documents, fee changes, and identifying subleases that were previously opaque to the Department. During the transition, the Department is initiating, renewing, or terminating 19 of the 29 leases. Fewer leases were paid in FY25 due to lease holdovers and new applications, but outstanding fees will be reflected in FY26 revenue. The Department started issuing new leases at the end of June.

Next Steps

As the Department updates new lease documents, we will be working through a backlog of lease renewals and holdover payments in FY26.

In western Oregon, the Shutter Creek site is new for the program and leases are still being rectified in FY26. In eastern Oregon, there is a new lease being initiated on Steens Mountain with University of Oregon Hazards Lab, a high-speed camera network that allows wildfires to be spotted and tracked remotely.



STRATEGIC PLAN CHECK-IN

The Real Property program is advancing the Department's **Strategic Plan** projects— specifically goals for Supporting Schools and Thriving Oregon.

Some examples of tracked objectives include:

- Implementing projects to improve rangeland health and reduce wildfire risks
- Increase performance through participation in the Western Forest Lands Habitat Conservation Plan
- Complete In-Lieu Land acquisitions from Bureau of Land Management
- Continue partnerships to promote sage-grouse habitat restoration

20
number of program projects

13%
program percent of total Strategic Plan projects

10%
percent of projects ***completed***

70%
percent of projects in ***progress***

20%
percent of projects ***not started***

Looking up at the Burns Butte Communication Site

THE FUTURE

The Real Property Program has many upcoming actions, activities, and changes in the coming years guided by the implementation of the 2024 Asset Management Plan.

The Department extends its gratitude to our dedicated staff and partners for their efforts in the management and protection of Oregon's land.

Rangeland Manager Randy Wiest showing Director Kaitlin Lovell and staff where a substation may be located on the Wagontire school lands tract

THE FUTURE: SIX UPCOMING ACTIONS

1

DSL-MANAGED FORESTLANDS

With five timber projects underway, FY26 may be a significant revenue year for DSL-managed forestlands.

2

RENEWABLE ENERGY

The three solar authorizations have not started any construction but are still active in planning development. In 2026, a geothermal license to explore energy production development at Crump Lake is anticipated.

3

HABITAT MITIGATION

Solar developers have expressed interest in working with the Department on conservation easements for renewable energy habitat mitigation. Staff have been working with Oregon Department of Fish and Wildlife to explore benefits to school lands.

4

PRINEVILLE

Interest is growing for 320 acres near the Prineville airport. The Department is examining options for the best-use scenarios to benefit the Common School Fund.

5

PARTNERSHIP PROJECTS CONTINUE

Rangelands continue habitat uplift projects on 16,000 acres with three juniper removal projects and four noxious weed management projects involving seven partners.

6

RULEMAKING

Real Property is working on updating rules for mining and easements in the coming years.

Native wildflower hoary tansyaster on school lands

THE FUTURE: FOUR PRIORITY PROJECTS

1 STEVENS ROAD TRACT

The sale of the Stevens Road Tract in Bend was agreed to in late summer 2025. The closing should occur early in 2026. This will have a significant impact to the Common School Fund. Once sold, the land will be developed for housing and commercial sites, including 20 acres of deed restricted affordable housing with seven acres dedicated for educators.

2 SOUTH REDMOND INDUSTRIAL LAND

New planning is underway on the 920-acre South Redmond property, dividing the site into 50-acre lots which will have greater demand and jumpstart site development.

3 LANDS OWED TO THE STATE

Ongoing in-lieu land acquisitions from the Bureau of Land Management continue, with the acquisition of an 80-acre residential property in La Pine completed in September 2025. Staff are still identifying lands for remaining 1,397 acres still owed to the State.

4 GEOLOGIC CARBON SEQUESTRATION

The Department is working with the Department of Geology and Mineral Industries to explore Oregon's potential for geologic carbon sequestration. The two agencies will drill an "information hole" to explore if the geology is conducive for sequestering carbon in the future.

Land Manager Shawn Zumwalt points to areas of infrastructure development on the Stevens Road tract

APPENDIX A: SCHOOL LANDS BY CLASSIFICATION

This table shows acreages of school land classifications at the end of FY25. This data was calculated from the mapping database, not deeded acres. Because of the new Asset Management Plan, which split-out land classifications, these acreages are managed by the Real Property Program.

- **Constitutional lands** are obligated to the Constitutional Common School Fund because these lands are or were related to the lands set aside for the purpose of schools in the Oregon constitution at statehood.
- **Statutory lands** were set aside through federal or state statues, and are obligated to the Statutory Common School Fund.

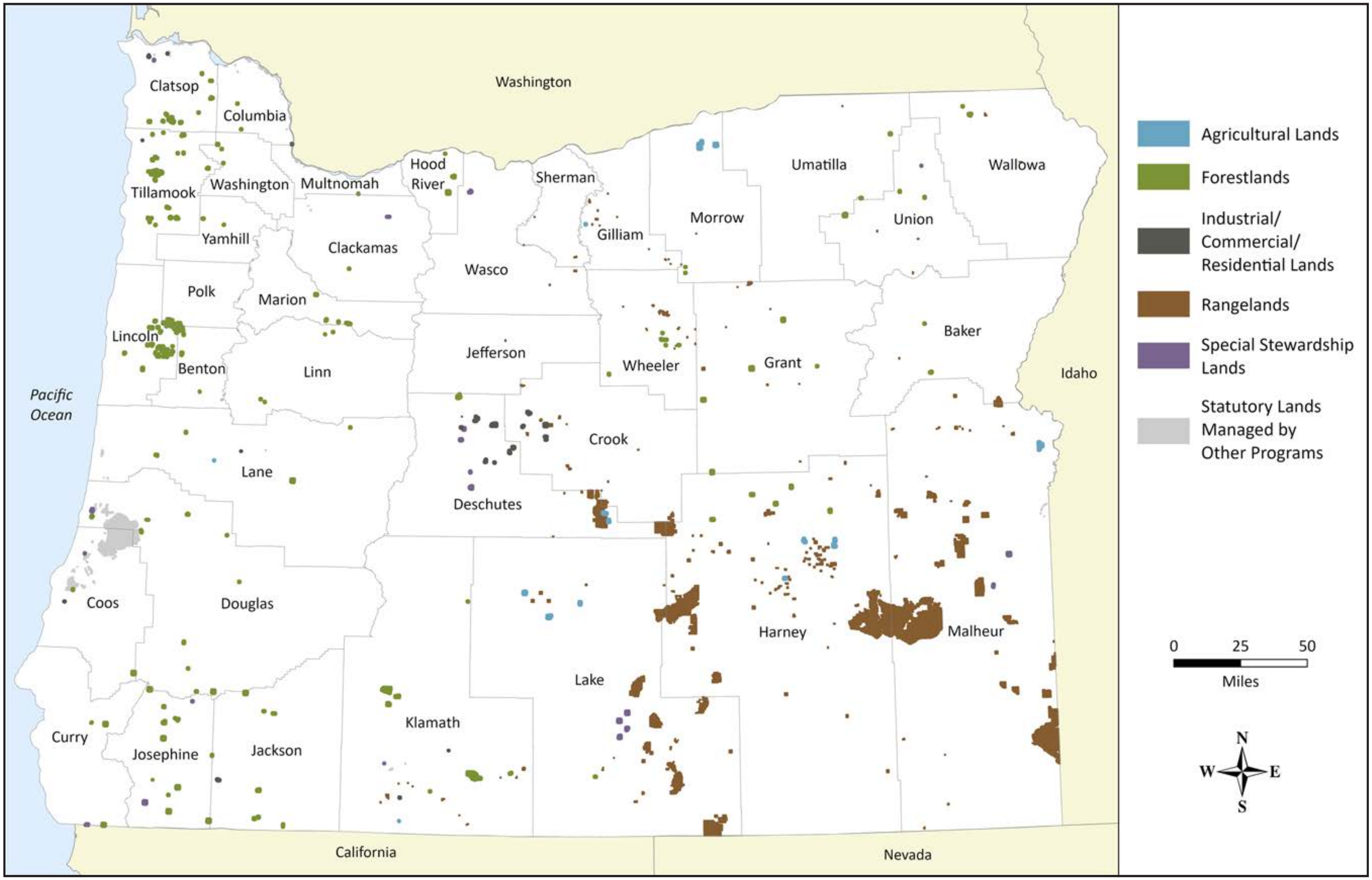
School Lands Ownership

LAND CLASSIFICATION		CONSTITUTIONAL OWNERSHIP	STATUTORY OWNERSHIP	TOTAL LAND CLASSIFICATION
Agricultural Land		7,051	2	7,053
Forestland (All)		39,088	182	39,270
	ODF-Managed Forestland	24,636	182	24,818
	DSL-Managed Forestland	14,452		14,452
ICR*		3,874	177	4,051
Mineral (Subsurface Only)		771,146	360	771,506
Rangeland		598,717	25,650	624,367
Renewable Energy**		0	0	0
Special Stewardship		5,161	297	5,458
Total Land Classification		1,425,037	26,668	1,451,705
Total Without Minerals		653,891	26,308	680,199

* ICR are lands that are, or have strong potential for being, zoned for Industrial, Commercial, or Residential uses

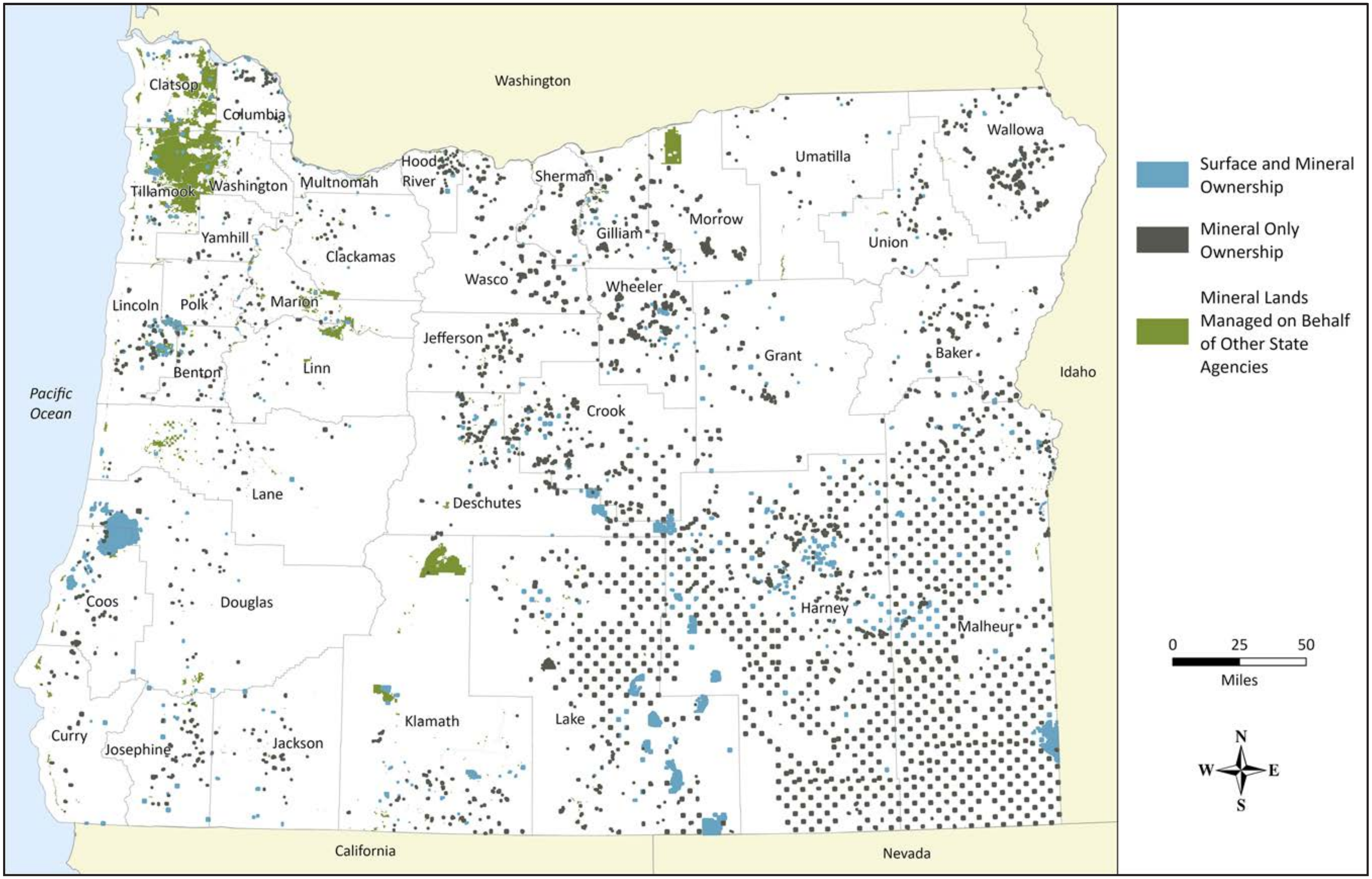
** The Asset Management Plan created the Renewable Energy land classification, but no energy leases have been energized to date

School Lands Map (Without Mineral Ownership)



APPENDIX A: SCHOOL LANDS BY CLASSIFICATION (CONTINUED)

Mineral Ownership Map



APPENDIX B: PROGRAM PERFORMANCE

This table shows Real Property Program performance through gross revenue, expenses, and net operating income (NOI) for the past three fiscal years and the 3-year average net operating income. Because of the updated Asset Management Plan, the Elliott State Research Forest is no longer part of the forestland fiscal year summary, but it still impacts 3-year averages. This table does not include income from land sales.

Real Property Revenues, Expenditures, and Net Operating Income (NOI) by Land Class

	FISCAL YEAR 2023			FISCAL YEAR 2024			**FISCAL YEAR 2025**			3- YEAR AVG ANNUAL NET OPERATING INCOME
LAND CLASSIFICATION	GROSS REVENUE	EXPENSE	NOI	GROSS REVENUE	EXPENSE	NOI	**GROSS REVENUE**	**EXPENSE**	**NOI**	
Agricultural Land	$341,739	$102,407	$239,332	$348,780	$57,869	$290,911	**$352,844**	**$78,834**	**$274,010**	$268,085
Rangeland	$850,650	$646,584	$204,066	$1,162,480	$1,167,275	($4,796)	**$1,376,500**	**$1,549,272**	**($172,772)**	$8,833
ICR	$991,491	$750,058	$241,433	$1,060,699	$822,900	$237,799	**$599,963**	**$849,985**	**($250,022)**	$76,403
Forestland	$2,921,775	$6,016,634	($3,094,860)	$4,508,362	$4,594,171	($85,809)	**$2,777,072**	**$1,802,362**	**$974,710**	($735,320)
Mineral & Energy Resource	$130,650	$60,341	$70,309	$110,509	$63,079	$47,431	**$247,734**	**$82,458**	**$165,276**	$94,339
Special Stewardship	$9,574	$8,919	$655	$6,000	$4,327	$1,673	**$6,433**	**$10,573**	**($4,139)**	($604)
Total	$5,245,879	$7,584,943	($2,339,064)	$7,196,830	$6,709,621	$487,208	**$5,360,547**	**$4,373,484**	**$987,063**	($288,264)

Forestland Breakdown

ODF-managed Forestland	$2,754,787	$1,846,378	$908,409	$2,801,158	$2,109,972	$691,186	**$2,635,066**	**$1,574,578**	**$1,060,488**	$886,694
DSL-managed Forestland	$92,102	$91,891	$211	$650,453	$191,960	$458,493	**$142,006**	**$227,784**	**($85,778)**	$124,309

APPENDIX C: LAND AUTHORIZATIONS

This table shows a tally of leases, licenses, easements, and permits for uses on school lands in FY 2025. When compared to FY 2024, authorization numbers were down, but total revenue increased about $200,000.

Land Authorizations

AUTHORIZATION TYPE	LAND USE	# OF AUTHORIZATIONS	TOTAL ACRES	TOTAL REVENUE	% TOTAL REVENUE
Forage Leases	Grazing	158	657,738	$1,213,841	59%
Special Use Leases/ Licenses	Agriculture	13	7,125	$342,709	17%
	ICR	2	402	$65,095	3.1%
	Communications	10	5	$57,400	2.8%
	Hard Mineral	2	680	$245,852	12%
	Upland Quarry	2	10	$1,250	0.1%
	Recreation	6	80.8	$8,103	0.4%
	Solar Energy	4	22,855	$118,825	5.7%
	Miscellaneous	5	6,085	$5,033	0.2%
Oil & Gas	Oil & Gas	7	n/a	$1,230	0.1%
Easements	Easements	1	1.9	$3,283	0.2%
Permits	Small Products, Gravel Removal, Firewood & Hauling Permits	28	n/a	$8,435	0.4%
Total*		238	694,983	$2,071,056	100.00%

Note: Acres may be double-counted due to multiple authorizations on the same property

*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

APPENDIX D: LAND TRANSACTIONS

A mineral sale, a land sale (filled lands), and three deed exchanges occurred during FY 2025.

Land Transactions

TRANSACTION TYPE	LAND SALE NAME	TRANSACTION AMOUNT	COUNTY	DEED DATE	ACRES	LAND CLASSIFICATION	OWNERSHIP DESIGNATION
Mineral Sale for Other Agency	DG Strategic VII LLC	$10,000	Marion	9/4/24	67.50	Minerals	n/a
Deed exchange	West Hayden Island	$0	Multnomah	4/10/25	65.00	Waterway Adjacent Upland	Statutory
Deed exchange	Stimson Lumber	$0	Columbia	12/27/24	7.00	Waterway Adjacent Upland	Statutory
Deed exchange	City of Clatskanie	$0	Columbia	8/16/24	0.69	Waterway Adjacent Upland	Statutory
Land Sale	Fortuna	$315,715	Clatsop	10/25/24	0.70	Waterway Filled Land	Statutory

APPENDIX E: ROLLING THREE-YEAR NET OPERATING INCOME

This table reflects the stability of income on land classifications and forestland units. Agricultural lands exhibit very stable income. Elliott State Research Forest income is not included in this table, which results in different averages for FY 2023-2025 than reported in Appendix B.

Rolling Three-Year Average Annual Net Operating Income

	YEARS				
LAND CLASSIFICATION	FY 2019-2021	FY 2020-2022	FY 2021-2023	FY 2022-2024	FY 2023-2025
Agricultural Land	$201,334	$191,670	$208,266	$235,336	$268,085
Rangeland	$74,650	$134,645	$91,100	$85,669	$8,833
ICR	$92,549	$38,367	$85,259	$190,635	$76,403
ODF-Managed Forestland	$817,194	$1,264,311	$1,243,204	$1,108,449	$886,694
DSL-Managed Forestland	$(79,277)	$(60,984)	$(43,763)	$113,784	$124,309
Mineral & Energy Resource	$42,739	$36,635	$30,072	$54,167	$94,339
Special Stewardship	$28,446	$15,545	$6,974	$(824)	$(604)
School Lands Avg. Total	$1,177,634	$1,620,189	$1,621,112	$1,787,217	$1,458,058

Oregon
Tina Kotek, Governor

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

State Land Board

Tina Kotek
Governor

Tobias Read
Secretary of State

Elizabeth Steiner
State Treasurer

M E M O R A N D U M

Date: February 10, 2026

To: Governor Tina Kotek
Secretary of State Tobias Read
State Treasurer Elizabeth Steiner

From: Kaitlin Lovell
Director

Subject: Climate Action Spotlight (Item 6)

The Oregon Department of State Lands is uniquely positioned to contribute to Oregon's climate goals. The Department oversees more natural and working lands and waters than any other state agency, and plays multiple roles – as a landowner integrating climate resilience into management and exploring opportunities for carbon sequestration; as a regulatory agency protecting and investing in natural infrastructure; as a technical partner equipping communities for climate resilience; and as a nationally important source of scientific and practical information regarding climate change impacts and climate resilience in coastal and forest environments.

Today's spotlight on climate action will include:

- An overview of the Department's key intersections with Governor Kotek's Executive Order 25-26, which directs state agencies to coordinate efforts to minimize climate impacts and help Oregon's lands and waters adapt to a changing climate, so they continue to support the health, environment, and economy of Oregonians. The executive order is attached to this memo as Appendix A.
- Updates on two active Department climate resilience projects:
    - The Geologic Carbon Sequestration Project (in partnership with the Oregon Department of Geology and Mineral Industries)

- The Elliott State Research Forest Carbon Project

APPENDICES

A. Executive Order No. 25-26, Directing State Agencies to Take Urgent Action to Promote the Resilience of our Communities and Natural and Working Lands and Waters (October 2025)

Office of the Governor
State of Oregon

EXECUTIVE ORDER NO. 25-26

DIRECTING STATE AGENCIES TO TAKE URGENT ACTION TO PROMOTE THE RESILIENCE OF OUR COMMUNITIES AND NATURAL AND WORKING LANDS AND WATERS

WHEREAS, the lands and waters that comprise the State of Oregon have supported people since time immemorial, contributing to clean air and water, food, fiber and shelter, rich biodiversity and ecosystems, recreation, livelihoods, and enhanced quality of life; and

WHEREAS, Oregon is at an inflection point as changing climate and ocean conditions are impacting Oregon's landscapes, waters, communities, and local economies with increased temperatures, warming surface waters, changing precipitation patterns, reduced snowpack, hotter and drier summers, sea-level rise, diminishing water supplies, habitat constraints to iconic species, and more frequent and damaging wildfires and extreme weather events; and

WHEREAS, Oregon's natural and working lands and waters — including forests, grasslands, rangelands, farmlands, wetlands, rivers, lakes and coastal and marine waters, and the parks and open spaces in urban environments — provide a range of environmental, social, health, and economic benefits statewide, including opportunities to increase carbon sequestration to help address climate change; and

WHEREAS, Oregon can realize the promise and power of our natural and working lands and waters through proactive policies and actions that facilitate the management of natural landscapes and waterways in a way that enhances their ability to withstand and recover from climate change impacts; and

WHEREAS, the effects of our changing climate are resulting in direct health impacts from heat and wildfire smoke; damage to and often destruction of homes, businesses, and working landscapes; and economic losses across multiple sectors of the State's natural resource economy; and

WHEREAS, communities have the knowledge, ability, and desire to participate in climate solutions and increase local disaster resilience through collaborative planning and action in partnership with state agencies; and

WHEREAS, the Oregon State Legislature established a definition of climate resilience in House Bill 3409 (2023) as "the capability to anticipate, prepare for, respond to and recover from significant climate-related threats while minimizing damage to social wellbeing, the economy and ecosystem functions"; and

WHEREAS, meeting Oregon's resilience goals at scale requires bringing everyone together —Tribes, landowners, communities, business, and government — in partnership to support our lands, waters, and communities; and

WHEREAS, meeting Oregon's resilience goals requires a coordinated, outcome-focused effort to implement actions that will meaningfully mitigate and adapt the State's lands and waters to the increasing pace and scale of impacts from the changing climate, so they continue to contribute to the social, environmental, and economic well-being of Oregonians.

NOW IT IS HEREBY DIRECTED AND ORDERED THAT AGENCIES SHALL FURTHER THE ACTIONS IDENTIFIED BELOW.

I. FOSTER RESILIENT LANDS, WATERS AND COMMUNITIES

1. **Define Key Resilience Attributes for Land and Waters.** Agencies shall use existing plans and strategies and the best available science to define key resilience attributes appropriate for Oregon with the goal of identifying characteristics of lands and water that are: (1) currently resilient to impacts from climate change and therefore able to deliver multiple benefits that are likely to persist under future climate conditions; or, (2) capable of achieving multiple benefits of high resilience in the face of changing conditions if supported by focused actions that promote restoration, enhancement or reconnection of those lands and/or waters.

    a. The Executive Director of the Oregon Watershed Enhancement Board ("OWEB") will partner with the Director of Oregon Department of Fish and Wildlife ("ODFW") (collectively "Lead Agencies") to lead a natural resource interagency team to undertake the work associated with development of resilience attributes anticipated by Section 1, including determining baseline conditions against which progress will be measured. The Lead Agencies shall collaborate closely with the Director of the Oregon Department of Energy (ODOE), who oversees the Natural and Working Lands Program, to ensure consistency across efforts.

2. Keep Oregon's Working Lands and Waters Working.

a. Executive branch agencies identified in Section II of this Order ("Agencies") are directed to utilize the resilience attributes along with other relevant information to identify and improve programs, processes, and practices that protect and promote stewardship of working lands and waters to adapt to impacts from a changing climate. These include but are not limited to the following:

i. Existing programs, tools and incentives that support the stewardship of working lands and waters in order to provide more diverse agricultural, forest and ocean-reliant products while also supporting co-benefits such as clean water, healthy soils and improved resilience to changing climate conditions.

ii. Partnerships to increase the pace and scale of adoption of sustainable stewardship and climate resilient practices by landowners including federal, local and tribal governments, businesses, non-profit organizations and private citizens.

iii. Application and review processes for grantmaking, loan, and financing programs to improve partner engagement on resilience projects including exploration of opportunities to leverage and expand access to capital and administrative capacity through partnership with third party service providers.

iv. Permitting processes for restoration projects on working lands and waters.

b. The Department of State Lands, Department of Land and Conservation Development and Department of Fish and Wildlife, shall work with the Oregon Ocean Policy Advisory Council, the Oregon Ocean Science Trust and Oregon Sea Grant to evaluate opportunities to support long-term resilience of nearshore resources in Oregon, and incentivize and promote globally competitive ocean-reliant products derived through sustainable practices.

3. **Conserve Natural Lands and Waters to Act as Resilience Anchors in the Face of Climate Change Impacts.**

   a. **Ten Percent in Ten Years.** Agencies are directed to protect, conserve, connect or restore ten percent of lands and waters in Oregon within ten years as compared to baseline conditions established for 2025.

   b. **Prioritize Key Lands and Waters.** Agencies subject to this Order will utilize resilience attributes developed in Section I (1) to prioritize implementation of programs, policies and projects seeking to advance protection, conservation, restoration, or connection of lands and waters in support of the goal of ten percent in ten years. Durability and effectiveness of actions to conserve, protect, restore, or connect lands and waters must be considered in determining whether proposed actions further this directive. Agencies shall seek to maximize implementation of actions with co-benefits such as increased carbon sequestration and biodiversity, improved community health and cultural well-being, enhanced ecosystem health, and/or reduced fire and flood risk.

   c. **Develop Innovative Mitigation Solutions.** The natural resources inter-agency team established in Section II (3) of this Order shall collaborate with Business Oregon as appropriate to explore innovative mitigation tools to support the long-term protection and resilience of land and waters that contain key resilience attributes while ensuring that the economic benefits of mitigation investments support local communities. Consideration shall be given but not be limited to the following potential solutions:

      i. Advanced Mitigation Banks: which proactively conserve or restore ecological values in anticipation of future development impacts; and

      ii. In-Lieu Fee Programs: which allow project developers to meet mitigation obligations by paying into a state-managed or authorized fund used for strategic conservation, restoration, and landscape resilience projects.

      iii. These programs must be designed to:

1. Maximize ecological outcomes aligned with the protection of lands and waters with key resilience attributes.
2. Retain mitigation revenue within Oregon, ensuring that funds support in-state projects.
3. Allow for creative mitigation portfolios that ensure "no net loss" of lands and waters with key resilience attributes while supporting "net benefit" programs and organizations that protect lands and waters from catastrophic wildfire and/or flooding.
4. Benefit Oregon's agricultural families and rural communities through partnerships with local landowners, land trusts, and conservation districts.
5. Create durable and locally beneficial conservation outcomes through transparent governance, science-based site selection, and robust monitoring/accountability requirements
6. Leverage private investment and market-based tools in ways that complement existing public funding and programs.

4. **Lead by Example: State-Owned and Managed Lands and Waters.** Agencies subject to this Executive Order that own or manage lands or waters (including, but not limited to, those identified below) are directed to develop and implement strategies to enhance climate resilience as a co-benefit of current management objectives and to ensure present and future impacts of climate change are explicitly considered in planning for the management of those lands and waters.

   i. State Parks
   ii. State Forests, including the Elliott State Research Forest
   iii. State Wildlife Management Areas
   iv. State Fish Hatcheries
   v. State-Owned Properties/Lands (including Trust lands) not principally owned, operated, or managed in support of structures, offices, or facilities serving state agency programs.
   vi. State Held Conservation Easements and/or Leases
   vii. State owned submerged and submersible lands and waters, including the Territorial Sea
   viii. State-Held Water Rights

5. **Ensure a Livable Oregon.**

   a. **Support and Enhance Local Resilience Efforts through Planning and Action in Collaboration with Communities.** The Oregon State Resilience Officer shall lead an effort to create a Plan for a Resilient Oregon ("PRO") that identifies and offers funding pathways for strategies to help communities adapt and thrive in the face of increasingly severe climate risks, and to support communities in long-term recovery from climate-driven disasters. The following actions shall be taken to implement this directive:

      i. Extensive and meaningful outreach with communities shall occur in every region of the State and shall inform the development of the PRO.
      ii. Agencies participating in PRO planning and implementation efforts shall utilize existing and available staffing resources.
      iii. The PRO will integrate with existing strategies and plans, including those related to wildfire and flood protection, energy resilience, and directives of this Order.

   b. **Protect Oregon from Catastrophic Wildfire.**

      i. **Implement Oregon's 20-year Landscape Resiliency Plan.** Agencies are directed to leverage partnerships and use available programs and resources to reduce the risk of wildfire and public health impacts of smoke by creating resilient natural and working landscapes. The following actions shall be taken to implement this directive:

         1. Prioritize landscapes for restoration and resilience treatments and identify pathways to increase the extent and scale of treatments.
         2. Maximize dedicated funding to promote partnerships through Good Neighbor Authorities to accomplish large scale landscape resilience treatments.
         3. Identify pathways to increase the extent and scale of prescribed burns and cultural burning while minimizing smoke impacts to public health.

4. Support the development and implementation of community smoke response plans. Identify additional measures for timely dissemination of air quality information and alerts during wildfire and prescribed fire events.

ii. **Create Fire-Adapted Communities.** To safeguard lives, property, and critical infrastructure from the growing threat of wildfires, agencies are directed to support efforts to build Fire-Adapted Communities across the state. The following actions shall be taken to implement this directive:

1. Further defensible space education and establishment across the state. Defensible space is the buffer between a building and the surrounding vegetation that slows or stops the spread of wildfire.
2. Promote increased use of fire-resistant building materials (home hardening) and community design features to reduce structural vulnerability.
3. Promote community risk reduction efforts through volunteer programs such as Firewise, local evacuation route planning, and partnerships to increase community survivability during urban wildfire conflagrations.

II. ACCOUNTABILITY, COORDINATION, AND IMPLEMENTATION

1. **Executive Branch Agencies Subject to this Order.** Progress on the direction and commitments of this Order will take focused and coordinated planning and execution by Oregon's natural resource agencies, each of which has its own Board or Commission. The following state agencies and their Boards or Commissions are subject to the goals and directives outlined in this Order as they may apply section by section:

i. Department of Land Conservation and Development (DLCD);
ii. Department of State Lands (DSL);
iii. Oregon Department of Parks and Recreation (OPRD);
iv. Department of Environmental Quality (DEQ);
v. Oregon Department of Agriculture (ODA);
vi. Oregon Department of Energy (ODOE);

- **vii.** Oregon Department of Fish and Wildlife (ODFW);
- **viii.** Oregon Department of Geology and Mineral Industries (DOGAMI);
- **ix.** Oregon Department of Forestry (ODF);
- **x.** Oregon Department of Transportation (ODOT);
- **xi.** Oregon Health Authority (OHA) Environmental Public Health;
- **xii.** Oregon Water Resources Department (OWRD);
- **xiii.** Oregon Watershed Enhancement Board (OWEB);
- **xiv.** Public Utility Commission of Oregon (PUC); and
- **xv.** Oregon Climate Action Commission (OCAC).

2. **Reporting and Accountability.** State agencies must deliver transparent, accurate reporting on public programs, maintain accountability to citizens and stakeholders, and establish clear feedback loops that enable public input and demonstrate responsive government action, using the following:

a. **Develop Biennial Plans.** Each agency shall develop (or incorporate into an existing planning process) a biennial plan that includes targets and metrics appropriate to the agency's intersection with this Order with the goal of focusing existing and new resources, programs, and incentives to advance the goals and actions in Sections I and II of this Order as applicable:

i. **Public Feedback and Oversight.** Agencies will present their biennial plans to their respective board or commission for discussion, review, and comment at a public meeting where public testimony can be received.

ii. **Recommendations for Governor's Recommended Budget ("GRB").** Biennial plans will be developed on a schedule and in a format to inform the development of the GRB starting with the 2029-2031 Agency Request Budget ("ARB") biennial cycle. Actions for consideration for the development of the 2027-2029 GRB will be expedited as needed.

iii. **Implementation Workplan.** Agencies shall immediately begin developing implementation timelines and pathways to comply with this Order. The following existing reporting requirements related to the goals of this Order will be assessed and consolidated to the extent practicable: the Climate Adaptation and Resilience Roadmap, Forest Climate and Carbon Plan, Connectivity Action Plan, Integrated Water Resources Strategy, Climate Adaptation Framework, Natural Climate Solutions, and others as identified.

b. **Update Key Performance Measures ("KPMs").** Agencies will work with Department of Administrative Services to review and modify existing plans and KPMs to adjust existing goals as appropriate to integrate with and advance this Order.

c. **Engagement with Oregon's Nine Federally Recognized Sovereign Tribal Nations.** The State, through the Office of Governor Kotek and the State Agencies within the Natural Resources Cluster Workgroup, shall collaborate with Oregon's nine federally recognized sovereign tribal nations to build, sustain, and enhance relationships to find common ground in support of the implementation of this Order.

3. **Coordination and Oversight of Implementation.** The Governor's Natural Resources Office will take a leadership role in advancing the efforts associated with this Order. It is the responsibility of each respective agency director to ensure appropriate coordination and implementation contemplated by this Order is integrated into agency programs and initiatives.

a. **Agency Leadership Implementation Team.** A group of agency directors and senior staff will be assembled under the auspices of the Governor's Natural Resources Cabinet. The subgroup, working at the direction of the Governor's Office and State Agency Natural Resources Cabinet, will:

i. Identify existing initiatives and programs that could benefit from increased cross-agency collaboration and develop recommendations to improve integration of climate resilience programs and actions in this Order. These recommendations will include both policy and budget needs related to the successful implementation of this Order.

ii. Develop recommendations to address critical gaps or barriers (e.g., programs, administrative rules, statutory changes) to the state's implementation of this Order.

iii. Assess and implement as practicable a State of Oregon Climate Action and Resilience Dashboard to serve as source of information on the work of agencies on this Order.

b. Board & Commission Oversight Team. A subgroup of relevant Board and Commission members will be assembled under the auspices of the Governor's Natural Resources Cabinet. The subgroup will work parallel to the Agency Leadership Team to support the implementation work of the Order.

c. Legislative & Public Engagement. As requested, agencies shall provide updates and presentations on implementation work to relevant Boards, Commissions, Councils, Local Governments, Federal Agencies, and the Oregon State Legislature.

Done at Salem, Oregon, this 21st day of October, 2025.

Tina Kotek
GOVERNOR

ATTEST:

Tobias Read
SECRETARY OF STATE