



STATE OF OREGON
OREGON STATE TREASURY
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4/16/15

House Rural Communities, Land Use & Water Committee
HB 3474

Chair Clem and members of the committee:

As State Treasurer, I am also one of the three members of the State Land Board – along with the Governor and the Secretary of State. That composition of the State Land Board has existed since statehood in 1859 when the Board was established in Oregon’s Constitution as the body that would administer the lands reserved for the state as part of Oregon’s Congressional Admission Act. Oregon’s Constitution further created a trust fund, the Common School Fund, and put Board members in charge of “the sale of school, and University lands, and for the investment of the funds arising therefrom.”

Leap forward more than 150 years later, and Oregon’s Common School Fund has a current value of \$1.5 billion and is slated to distribute a projected \$110 million among Oregon’s 197 K-12 districts this biennium. Those are valuable dollars local school districts depend on, and will continue to long after we end our public service careers.

Oregonians should rightly be proud of where the Common School Fund currently stands. The Oregon Treasury – under direction of the Oregon Investment Council – has successfully invested the Common School Fund in a diverse set of assets that have managed to grow the principal nearly threefold since 1997.

Yet while the fund has grown and matured into an objective accomplishment, so too have pressures outside the fund increased. That’s largely attributable to the challenges in natural resource management running squarely into the mandate to maximize profits.

HB 3474 deals with the reality that there are encumbrances on the Land Board’s land assets that impede some of the land from meeting its trust mandate. These trust lands have low income production value and in many cases cost the Common School Fund money since operational costs exceed revenue generation. The reasons for low income production value are many including competing public use demands such as hunting and recreation; steep, unstable slopes; critical fish and wildlife habitat; and other social and environmental concerns.

The trust land transfer concept in HB 3474 would give the Land Board an additional tool to dispose of these lands while retaining public ownership. As a trustee, my legal obligation is to the beneficiaries and pressure builds to dispose of land that is not meeting its trust mandate and is not likely to do so going forward. Currently, one of the few options available to the Land Board would be to put that land up for public auction while losing public ownership and other benefits.

HB 3474 is based off a trust land transfer model that's been successfully run in Washington State since 1989 on a bipartisan basis and buy-in from beneficiaries and other interested parties. The bill would allow the land board to identify encumbered land, propose the state retain ownership under a different land management agency independent of the strictures of the trust mandate, and give the Legislature control over whether and how that proposal would proceed. That partnership between the Land Board and Legislature is something we currently lack, and as a result the Land Board has limited avenues to meet its trust obligations. The public trust lands transfer process provides a flexible tool for the state to better capture public land benefits.

I support the concept and appreciate the legislature's work on tackling this issue – especially Representatives Read and McKeown and Senator Roblan.

Ted Wheeler
Oregon State Treasurer