

ANALYSIS

Item 10: Department of State Lands Common School Fund Land Transfer

Analyst: Wendy Gibson

Request: Approve the submission of a federal grant application to the National Oceanic Atmospheric Administration in the amount of \$1,000,000 to transfer an 80-acre Common School Fund land parcel to the South Slough Reserve.

Analysis: On June 13, 2023, the National Oceanic Atmospheric Administration (NOAA) Office for Coastal Management released a grant notice for the Habitat Protection and Restoration Bipartisan Infrastructure Law Competition. The program seeks to enhance coastal habitat resiliency by awarding approximately \$16 million to National Estuarine Research Reserves (Reserves) for coastal habitat restoration efforts and the acquisition of property or conservation easements leading to ecological habitat restoration.

Each Reserve is eligible to receive up to \$4 million with no state funding match requirement. Reserves interested in applying needed to send a letter of intent to NOAA outlining a proposal for review and consideration by August 14, 2023. On behalf of the South Slough Reserve, the Department of State Lands (DSL) submitted a letter on August 9, 2023. NOAA reviewed the letters, and on October 3, 2023, NOAA invited DSL to apply for the grant by the January 10, 2024, application deadline.

DSL is requesting authorization to apply for a \$1 million grant to add an 80-acre parcel of mature forest land into the South Slough Reserve. The parcel is located directly adjacent to the southeastern boundary of the Reserve. DSL currently owns the 80 acres as an asset of the Common School Fund (CSF), which provides funding for public education. The State Land Board's Real Estate Asset Management Plan (REAMP) classifies CSF lands into seven categories: forestlands; agricultural lands; rangelands; industrial, commercial, and residential lands; special stewardship lands; waterways; and mineral and energy resources. The classification is based on the primary use of the land and determines the management plan and objectives. The 80-acre parcel is classified as forestlands under the REAMP. The Oregon Department of Forestry (ODF) manages CSF forestlands to generate approximately \$2-3 million in annual revenue for the CSF through timber harvests. Before decoupling the Elliott State Forest from the CSF in 2022, forestlands represented 5% of the total real property inventory of the CSF. Currently, forestlands represent less than 2% of the total real property inventory of the CSF.

In 2014 and 2015, an independent citizen group reported multiple sightings of the endangered marbled murrelet on the 80-acre land parcel. In response, ODF decided to halt all planned timber harvests on the parcel, precluding revenue being generated from the unit.

DSL intends to buy the land parcel, at fair market value, from the revenue-generating CSF portfolio and reclassify the acreage as special stewardship lands under the REAMP. The land would remain a real property asset of the CSF. In contrast to forestlands, special stewardship lands are non-producing and managed as natural habitats for threatened and endangered species, riparian and aquatic habitat conservation, or visual landscape. These lands represent less than 1% of the overall CSF asset inventory, with more than half of the acres residing in the South Slough Reserve.

The South Slough Reserve is nearly 7,000 acres of natural habitat in Coos County, federally designated as a National Estuarine Research Reserve. DSL manages Reserve lands in partnership with NOAA for long-term research, ecosystem conservation, and educational opportunities. NOAA provides funding and technical support to the state, and DSL provides the daily management.

DSL initially sought grant funding in 2017 to transfer the 80-acre parcel from the CSF's forestlands portfolio to the South Slough Reserve, but the Department did not have the matching funds to accept the grant. DSL put the transfer on hold until 2022, when DSL received a grant from NOAA to complete the due diligence activities required for a future sale. The Department contracted with Wild Rivers Land Trust, a local land conservation non-profit, to conduct an independent property survey, environmental assessment, title search, and property appraisal.

According to DSL, the \$1 million grant provides the total funding needed to complete the buy-out and transfer of the 80-acre parcel to the South Slough Reserve. The transaction has no impact on county property tax or harvest tax revenue.

If authorized to apply for the grant, DSL intends to submit a full proposal and grant application by the January 10, 2024, deadline. If awarded, DSL will return to the Legislature to seek additional Federal Funds expenditure limitation for the funding, which would become available on August 1, 2024. DSL would also need to seek forestlands decertification of the parcel from the Board of Forestry and final approval to buy out the acres and complete the transfer from the State Land Board.

Recommendation: The Legislative Fiscal Office recommends that the Joint Interim Committee on Ways and Means approve the request.

Request: Authorization to apply for a grant of \$1.0 million from the National Oceanic Atmospheric Administration to purchase and transfer land that is a Common School Fund asset to the South Slough National Estuarine Research Reserve.

Recommendation: Approve the request.

Discussion: The Department of State Lands (DSL) oversees the South Slough National Estuarine Reserve (Reserve) within the southern Oregon Coastal region. The Reserve is requesting to apply for a \$1.0 million competitive federal grant funded by the National Oceanic Atmospheric Administration (NOAA), established under the Bipartisan Infrastructure Law (BIL). If awarded grant proceeds will be used to purchase an 80-acre parcel of land adjacent to the southern border of the Reserve. The land is a Common School Fund asset within the DSL property portfolio.

Although, the 80-acre parcel is owned by DSL, it is managed by the Oregon Department of Forestry. Initially, this land was earmarked for timber harvest until the endangered marbled murrelet species was discovered on the land and timber harvest have been suspended. The parcel of land is located near the southern border regions of the Reserve. The land is a mature upland forest, adjacent to the southern boundaries of the Reserve. If awarded, the funding is expected to cover all costs associated with the purchase and transfer of the land to the Reserve. There are no state match requirements attached to this grant award.

The grant notification was posted on June 13, 2023. NOAA required the Reserve to submit a letter of intent for a land acquisition by August 14, 2023. NOAA notified the Reserve on October 3, 2023, to submit a full grant proposal outlining all pertinent details related to the purchase of the 80-acre parcel of land by January 10, 2024. If awarded the funding would be made available starting August 1, 2024.



Oregon

Tina Kotek, Governor

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State Land Board

Tina Kotek

Governor

October 9, 2023

The Honorable Senator Elizabeth Steiner, Co-Chair
The Honorable Representative Tawna Sanchez, Co-Chair
Interim Joint Committee on Ways and Means
900 Court Street NE
H-178 State Capitol
Salem, OR 97301-4048

LaVonne Griffin-Valade
Secretary of State

Tobias Read
State Treasurer

Dear Co-Chairs:

Nature of the Request

The Department of State Lands (Agency) oversees the South Slough National Estuarine Research Reserve (Reserve) on the southern Oregon coast. The Reserve manages nearly 7,000 acres of natural habitat which includes open water channels, tidal and freshwater wetlands, riparian areas, and forested lands. This area is managed for long-term research, education, and public recreation with a focus on the stewardship and protection of natural and cultural resources.

The Department of State Lands on behalf of South Slough Reserve is requesting approval to apply for and, if awarded, spend \$1,000,000 in Federal Funds from the National Oceanic Atmospheric Administration (NOAA) to support the acquisition and transfer of a land parcel to the Reserve's management. This funding amount is expected to cover all costs associated with the land purchase and transfer of the property. The Federal funding notice was posted in Grants.gov on June 13, 2023, with letters of intent due on August 14, 2023. The Reserve was invited to submit a full grant proposal on October 3, 2023, with a submission deadline of January 10, 2024. If awarded the grant, funds would be available starting August 1, 2024.

The proposed acquisition is an 80-acre parcel of mature upland forest adjacent to the southeastern boundary of the Reserve. As an asset of the Common School Fund, the parcel is owned by the Agency and managed by the Oregon Department of Forestry (ODF). The state had planned timber harvests of the parcel until observations of an endangered species, the marbled murrelet, put harvest plans on hold. The proposed grant would provide funding to complete the purchase of the property from the Common School Fund, including decertification and removal from ODF management, and

transfer it to the Reserve. The Agency will benefit from this transaction by securing revenue for the Common School Fund, which will in turn benefit Oregon's schools. The transfer of the property to the Reserve will have a positive equity impact by benefiting all Oregonians because it will be managed in perpetuity as public land for research, education, and recreation and contribute to the stewardship of lands and waterways of the state.

With millions of dollars recently becoming available to the National Estuarine Research Reserve System (NERRS) through the Bipartisan Infrastructure Law (BIL formerly called the Infrastructure Investment and Jobs Act, or IIJA), the Reserve is in a favorable position to receive Federal Funds for this acquisition. In 2022, the Reserve partnered with Wild Rivers Land Trust to receive capacity-building funding from NOAA through the BIL for due diligence activities related to this acquisition, and to develop and submit this grant proposal to the NOAA-NERRS-BIL competitive funding program for the purchase of the property.

Agency Action

In response to the call for proposals on June 13, 2023, the Reserve submitted a letter of intent to NOAA on August 9, 2023. The Reserve was invited on October 3, 2023, to submit a full proposal by January 10, 2024. If awarded, funds would be available to spend starting August 1, 2024. There is no match requirement for this funding. If the Reserve is awarded this grant, we will be requesting an increase in our federal limitation at that time.

Legislation Affected

No legislation is affected at this time.

Sincerely,



Vicki L. Walker
Director

CC: Geoff Huntington, Governor's NR Policy Advisor
Michelle Lisper, CFO Analyst
Wendy Gibson, LFO Analyst
Bree Yednock, Reserve Manager
Jean Straight, Deputy Director, Administration