

STAFF REPORT

Agenda Item No.:	H
Work Plan:	State Forests Work Plan
Topic:	Status of Portions of Sun Pass as Common School Forest Land
Presentation Title:	Decertification Actions by ODF on Klamath-Lake area CSFL
Date of Presentation:	June 6, 2024
Contact Information:	Mike Wilson, State Forests Division Chief Michael.Wilson@odf.oregon.gov

SUMMARY

The Board of Forestry is requested to make findings to complete the decertification and redesignation of the remaining 1,920 acres of Common School Forestlands within the Klamath-Lake District, effective July 1, 2024, to complete the statutory requirements to return these lands to their original status and ensure all applicable procedures are addressed pursuant to Oregon Revised Statute (ORS) 530.470(2). The State Land Board voted to remove the designation of these lands as Common School Forest Lands (CSFL) pursuant to the statute at its April 9, 2024 meeting.

CONTEXT

Lands owned by the State of Oregon and under the jurisdiction of the Department of State Lands (DSL) that are “primarily suited for the growing of timber and other forest products” are required to be designated and set apart as Common School Forest Lands by the Department of State Lands and the State Board of Forestry, and such lands are withdrawn from sale (ORS 530.460).

The process by which such lands are designated is through the adoption of separate board resolutions of the State Land Board and the Board of Forestry, describing the lands to be set aside as CSFL (ORS 530.480). A copy of each board resolution, certified by the Director of DSL and the State Forester, respectively, together with a description of the lands involved, were to be filed with the Secretary of State.

Periodically as necessary, DSL and the Board of Forestry were and are to designate and set aside CSFL “as rapidly as forestry data and information are obtained ... of the lands eligible for dedication under ORS 530.450 to ORS 530.520” (ORS 530.470(1)).

After such designations, the State Forester, under supervision of the Board, was and is authorized to manage the CSFL lands (ORS 530.490).

These designated lands “may, at any time, be returned to their original status *by similar actions of said agencies*, if said lands are to be used for higher and better use for the general public, including the sale of said lands where lawful” (ORS 530.470(2); emphasis added). This has consistently been done by separate complementary resolutions of the State Land Board and the Board of Forestry (ORS 530.480).

Under the Interagency Agreement between the Department of State Lands and the Oregon Forestry Department, Section 7, Common School Forest Lands so designated by

each board and committed to the management of ODF are defined as “certified” lands and when removed from ODF management, are defined as “decertified” lands.

BACKGROUND AND ANALYSIS

Previously, approximately 21 percent of DSL’s certified forestlands were in ODF’s Klamath-Lake District. There were, as of the beginning of 2023 two large blocks of certified forestland in Klamath-Lake District, one in Sun Pass (3,663 acres) and another in the Yainax Butte area (3,164 acres), totaling 6,827 acres (See maps and table in Attachment 1, DSL Staff Report to the State Land Board, Appendices A through C).

DSL projected that the State Common School Fund would realize a cost savings of up to \$200,000 annually by removing these lands as certified Common School Forest Lands.

DSL proposed, and the State Land Board approved on August 9, 2022, initially redesignating and decertifying 4,907 of these acres effective July 1, 2023. The Board of Forestry adopted its companion order on November 16, 2022, effective July 1, 2023.

The remaining 1,920 acres of the Sun Pass tract were approved for removal from Common School Forest Land designation under ORS Chapter 530, and decertification and removal from ODF management, effective July 1, 2024, by the State Land Board, Governor Kotek and Treasurer Reed voting in favor and the Secretary of State absent, at the State Land Board meeting held April 9, 2024.

ODF Staff concurs with the DSL Staff Report to the State Land Board (Attachment 1) and the maps contained therein, and recommends the Board of Forestry adopt the proposed decertification Resolution and Order (Attachment 2).

RECOMMENDATION

The Department recommends that the Board approve the removal of the Common School Forest Land designation and the decertification of the remaining 1,920 acres currently designated as Common School Forest Lands in Klamath-Lake District as identified on the DSL Staff Report to the State Land Board (Attachment 1, Appendix E), pursuant to the proposed Resolution and Order (Attachment 2).

NEXT STEPS

Upon change of designation and decertification, no further action is required of the Board. The State Forester, as Secretary of the Board, is required to send a certified copy of the Resolution and Order to the Director of the Department of State Lands and the Secretary of State pursuant to ORS 530.480, and the Interagency Agreement Exhibit of Certified lands will be amended to reflect the removal of these acres.

ATTACHMENTS

1. DSL Staff Report to the State Land Board (April 9, 2024)
2. Resolution and Order of Board Reclassifying Common School Forest Lands



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

State Land Board

Regular Meeting

April 9, 2024

Agenda Item 5

LaVonne Griffin-Valade

Secretary of State

Tobias Read

State Treasurer

SUBJECT

Common School forestlands within the Klamath District.

ISSUE

Whether the State Land Board should approve decertification of the remaining 1,920 acres of forestlands, known as Sun Pass, within the Klamath District to reduce costs to the Common School Fund.

AUTHORITY

- Oregon Constitution, Article VIII, Sections 2 and 5; pertaining to the Common School Fund and land management responsibilities of the State Land Board.
- ORS 273.141; relating to the nature of services provided by other agencies
- ORS 273.171; relating to the duties and authority of the Director
- ORS 273.523; relating to the sale of forest products
- ORS 530.460; relating to the designation of Common School Forest Lands
- ORS 530.470; relating to the determination of the designation of Common School Forest Lands
- ORS 530.480; relating to the filing of resolutions made by the boards
- Real Estate Asset Management Plan adopted by the Land Board; February 2012.

BACKGROUND

For several decades, the Oregon Department of Forestry (ODF) has managed and sustainably harvested Department of State Lands certified forestlands on behalf of DSL. Approximately 28,100 acres of DSL lands are currently classified as certified forestlands, meaning they are primarily suited for growing timber and other forest products and are managed by ODF. Timber harvests and other sales of forest products generate revenue for the Common School Fund.

Annual revenue generated by certified forestlands is dependent on the costs of management as well as the quantity and value of harvested forest products. Certified forestlands cost approximately \$40 per acre annually to manage. The financial performance of certified forestlands is impacted by parcels that are not capable of producing reliable long-term timber revenue, but still contribute to annual management costs.

Decertification of ODF-managed forestland parcels is one option DSL considers when costs of management exceed long-term revenues. If forestlands are decertified, DSL takes over land management, reducing overall costs of the forests, as overhead expense associated with ODF's management of certified forestlands is no longer necessary.

Klamath District Forestlands

Historically 21 percent of DSL's certified forestlands were in ODF's Klamath District. There were two large blocks of certified forestland in the Klamath district, known as Sun Pass (3,663 acres) and Yainax Butte (3,164 acres) (See Appendix A). In August of 2022, the State Land Board approved the decertification of all of Yainax Butte and 1,743 acres of Sun Pass. There are 1,920 acres in Sun Pass remaining to be decertified.

Although the Klamath District historically produced an average of 903,000 board feet of timber volume annually between 2010 and 2020, it had the lowest return compared to other districts.

ODF has been managing these forestlands effectively; however, between fiscal years 2017 and 2021 the Klamath District produced less than \$60,000 in annual revenue, while costing nearly \$200,000 annually to manage. These costs include direct¹ (variable) expenses for on-the-ground management and indirect² (fixed) expenses such as service and supply, personnel services, and administrative prorate, as identified by ODF.

Revenues for these forestlands have been low due to poor timber markets, low-value species mix, and low volume per acre harvests. In addition to low productivity, these forestlands also have few near-term harvest opportunities. Upon completion of this decertifying process, the Department expects to save the Common School Fund up to \$200,000 in costs annually, while having little effect on revenue.

¹ Direct expenses are variable costs including personnel services, and service and supply for on-the-ground management work.

² Indirect expenses are fixed costs including personnel services, service and supply for district management and office/administrative staff, Salem staff and Administration Prorate.

Future Management of Klamath District Forestlands

If decertified, DSL would take over management of these parcels. Since hiring a forester in 2019, DSL has established internal capacity to manage the Klamath District forestlands. These lands would fit into a larger portfolio of noncertified forestlands east of the Cascade Range managed by the Department. Much of the future maintenance needs will be for forest health improvement and fuels reduction thinning to mitigate wildfire risk. These management needs are expected to occur once a decade, and costs associated with these treatments will be minimal.

The single fixed expense that would remain for the Department upon transfer of management of the Klamath forestland parcels is annual fire protection for wildfire response provided by the Klamath-Lake ODF Fire Protection District, as required by law. This rate is subject to change based on ODF fire protection district costs. If fires occur on DSL lands, under the agreement with ODF there will be no further costs billed to the Department after these annual fees have been paid.

Revenue generated from most future forestry projects would cover harvesting and DSL personnel costs. Anticipated management costs would be absorbed into the forester's personnel costs, with harvest income projected to cover all non-fixed expenditures. Long-term capital investment needs for the Klamath forestlands are projected to be minimal.

Decertification

The proposed transfer of management of the Klamath parcels is in two separate decertification processes. The first decertification took place July 1, 2023, totaling 4,907 acres and included all of Yainax Butte and some sections of the Sun Pass tract. All of ODF's management obligations are complete for the remaining 1,920 acres of the Sun Pass tract, and it is now ready to be decertified.

The process for decertification of Common School Forest Lands requires approval of the State Land Board and Oregon Board of Forestry. Following Land Board approval, this decertification request will go before the Board of Forestry.

RECOMMENDATION

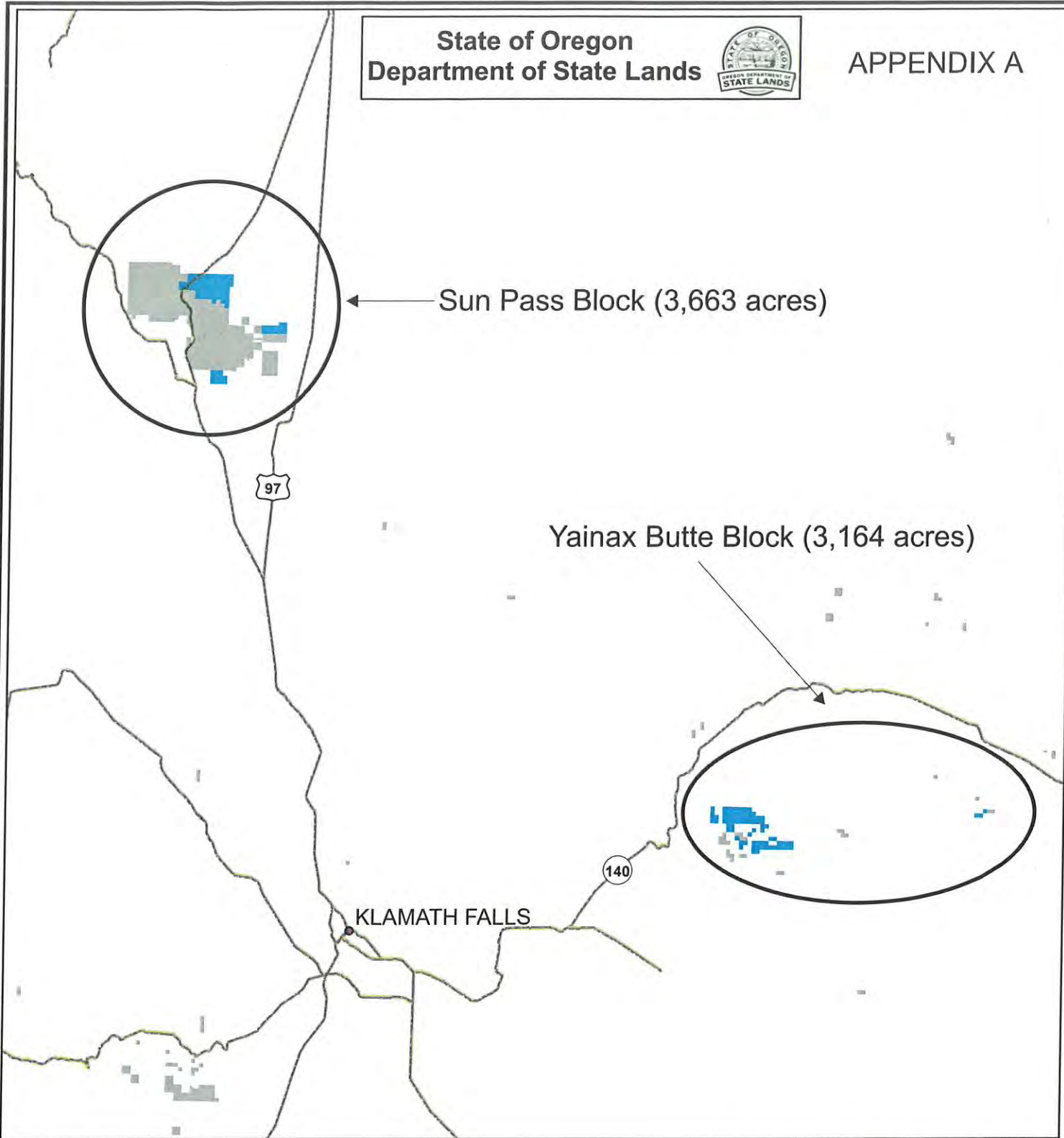
The Department recommends that the State Land Board approve decertifying the remaining 1,920 acres of the Sun Pass tract within the Oregon Department of Forestry's Klamath District, to be effective July 1, 2024.

APPENDICES

Appendix A – Map of Klamath District parcels

Appendix B – Map of Sun Pass parcels

Appendix C – Table of Klamath District parcels for second decertification



Appendix A - Klamath District Map

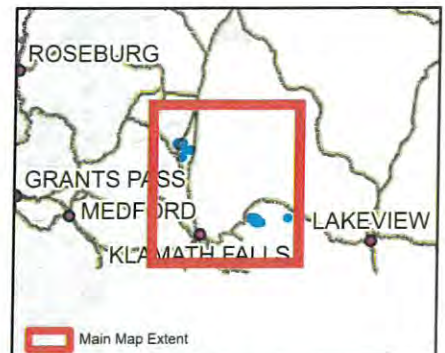
- DSL Ownership
- ODF Ownership
- Highways



State of Oregon
Department of State Lands
775 Summer St NE, Suite 100
Salem, OR 97301
503-986-5200
www.oregon.gov/DSL

Map Projection:
Oregon Statewide Lambert
Datum NAD83
International Feet

Date: 3/11/2024

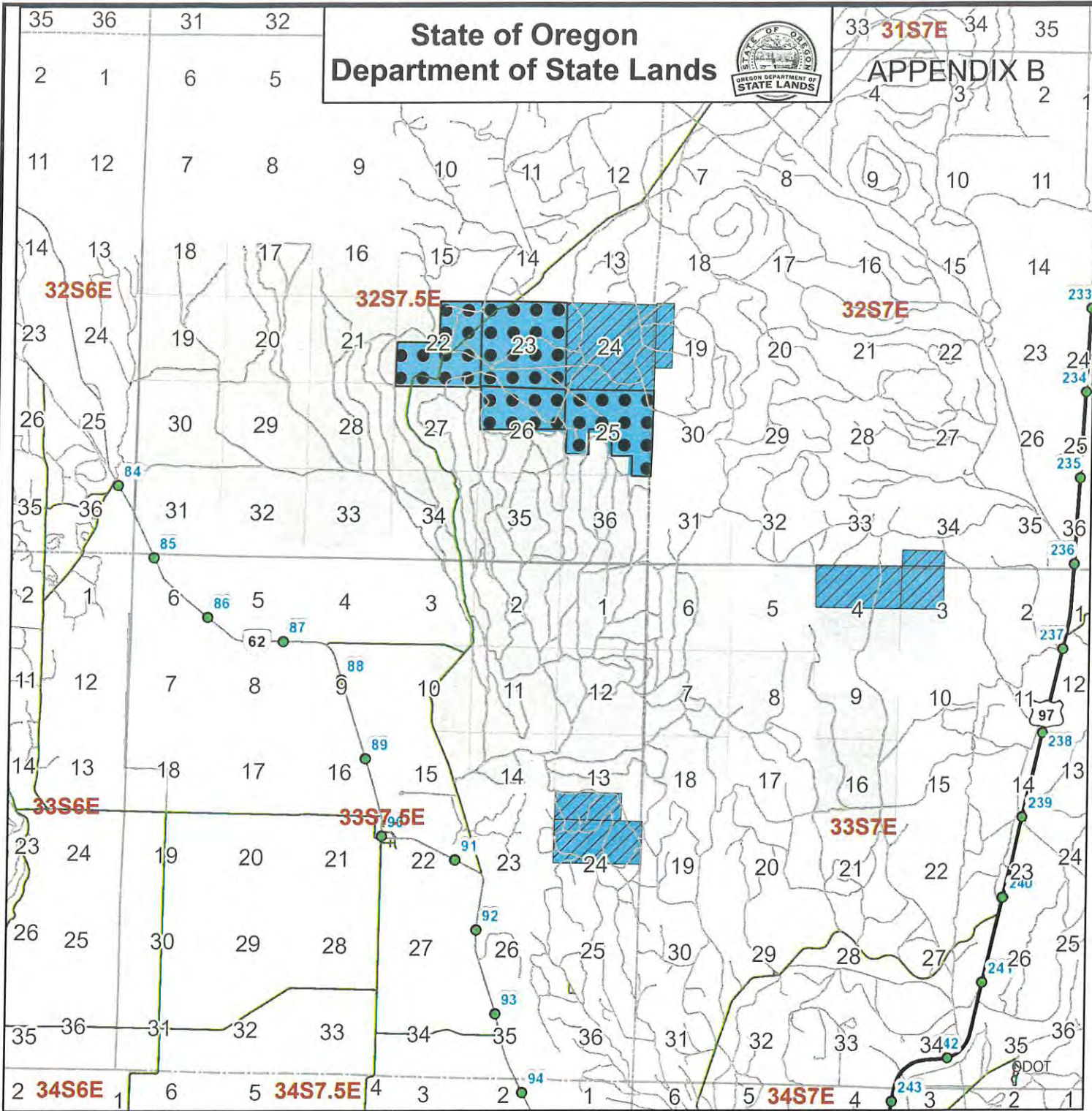


This map depicts the approximate location and extent of a Department of State Lands Proprietary authorization for use. This product is for informational purposes only and may not have been prepared for, or be suitable for legal, engineering, or surveying purposes. Users of this information should review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

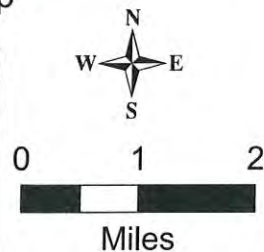
State of Oregon
Department of State Lands



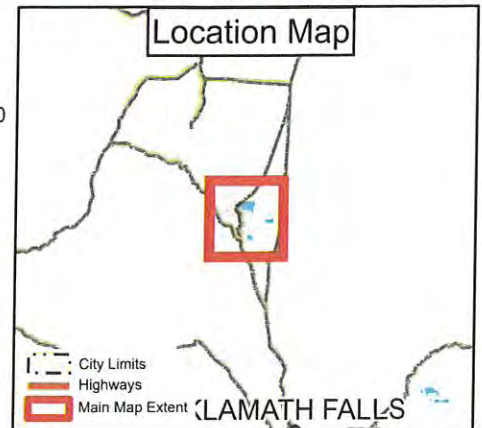
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APPENDIX B
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Appendix B - Sun Pass Map



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Appendix C: Klamath District Parcels for Second Decertification

Department of State Lands forestland parcels in the Sun Pass tract proposed for decertification.

DSL Parcel #	Taxlot	TS	Range	Section	Legal	Acres*	Tract
1887	00501	32S	07.5E	23	ALL	640.00	Sun Pass
2025	00501	32S	07.5E	22	NE4, S2	480.00	Sun Pass
2342	00501	32S	07.5E	26	N2	320.00	Sun Pass
2368	00501	32S	07.5E	25	NW, NW4SW4, N2SE4, SE4SE4	480.00	Sun Pass
TOTAL						1920.00	

*Acres are compiled from the Oregon Department of Forestry's 2023 Common School Fund Forestlands report presented at the February 13, 2024 State Land Board meeting: <https://www.oregon.gov/dsl/Pages/state-land-board.aspx>

**BEFORE THE OREGON
BOARD OF FORESTRY**

In the Matter of the Redesignations and) **ORDER**
Decertification of 1,920 acres in Klamath-Lake) REDESIGNATION OF
District as Common School Forest Lands) COMMON SCHOOL FOREST LANDS

WHEREAS, ORS 530.460, 530.470 and 530.480 provide a process for identifying, certifying and decertifying Common School Forest Lands (“CSFL”), which are primarily suited for growing timber and other forest products; and

WHEREAS, by separate resolution each board is required to so designate and set aside such lands;

WHEREAS, ORS 530.470(2) states that any lands so designated and set aside may, at any time, be returned to their original status by similar actions of said agencies, if said lands are to be used for higher and better use for the general public, including the sale of said lands where lawful;

WHEREAS, on April 9, 2024, the State Land Board voted to remove 1,920 acres, more or less, from designation as CSFL located in in the Oregon Department of Forestry’s (“ODF”) Klamath-Lake District, and decertify the same pursuant to the Interagency Agreement between the Department of State Lands (“DSL”) and ODF concerning management of those lands by ODF, effective July 1, 2024;

WHEREAS, in order to ensure all necessary statutory actions have been completed by both Boards, the Board of Forestry finds it proper to adopt a concurring resolution and order removing these same lands from designation as CSFL, and decertifying these same 1,920 acres from those held as CSFL under ODF’s management, effective July 1, 2024.

NOW, THEREFORE, IT IS HEREBY RESOLVED AND ORDERED that the 1,920 acres of forestland parcels identified in the DSL Staff Report to the State Land Board of April 9, 2024, Appendices A through C, previously ordered to be redesignated and decertified by the State Land Board on April 9, 2024 (effective July 1, 2024), are also ordered by this Board to be removed from designation as CSFL and also decertified by this Board pursuant to ORS 530.470(2) and returned to their original status effective July 1, 2024. The DSL Staff Report, Appendices A through C are attached hereto and incorporated by reference.

The State Forester, as Secretary of this board, is directed to send a copy of this Resolution and Order to the Director of DSL and the Oregon Secretary of State and ensure that the Interagency Agreement between DSL and ODF is amended to reflect the removal of these acres from ODF’s management responsibility.

Adopted by the Board of Forestry at its meeting on _____.

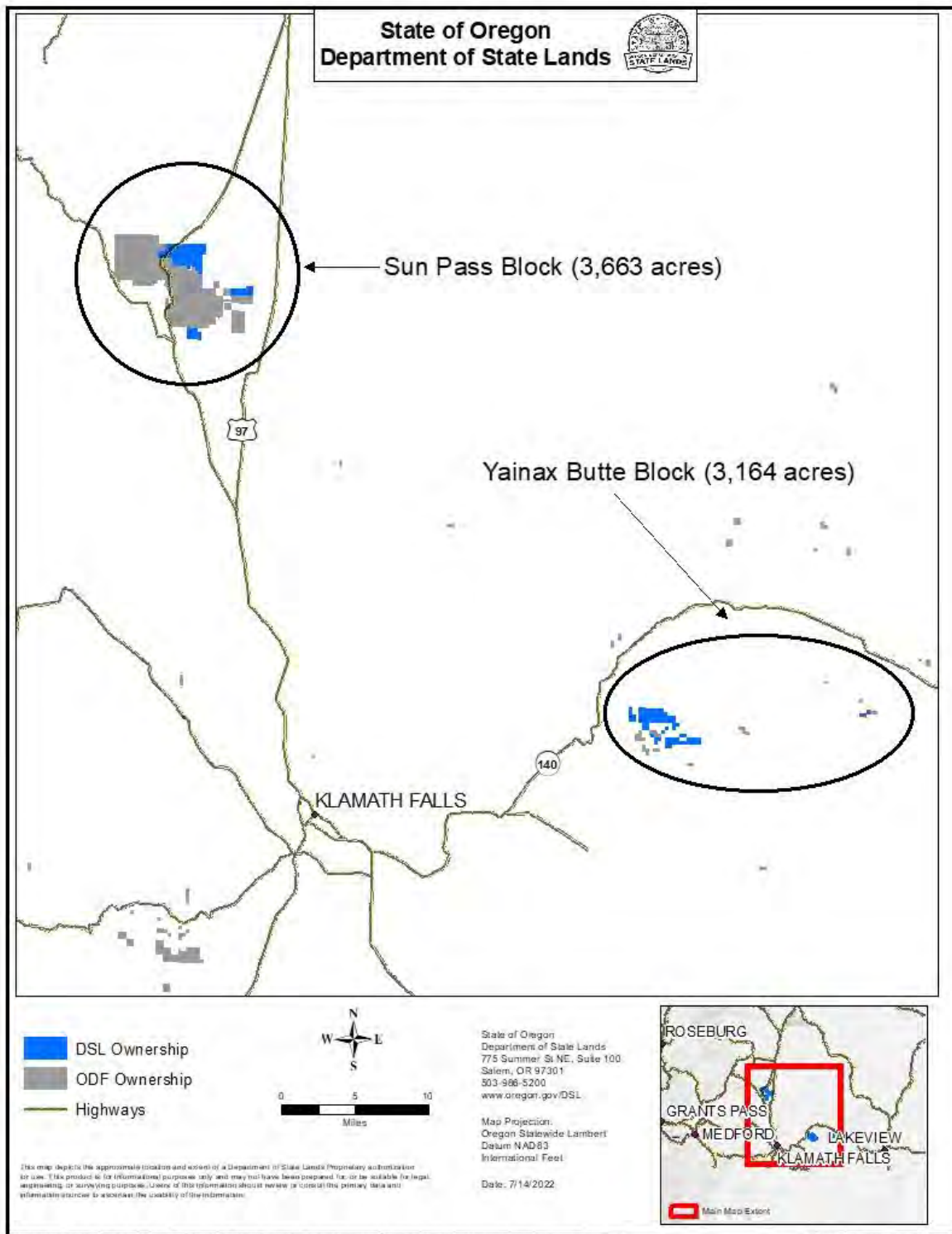
State Board of Forestry:

Cal Mukumoto, Secretary

Date

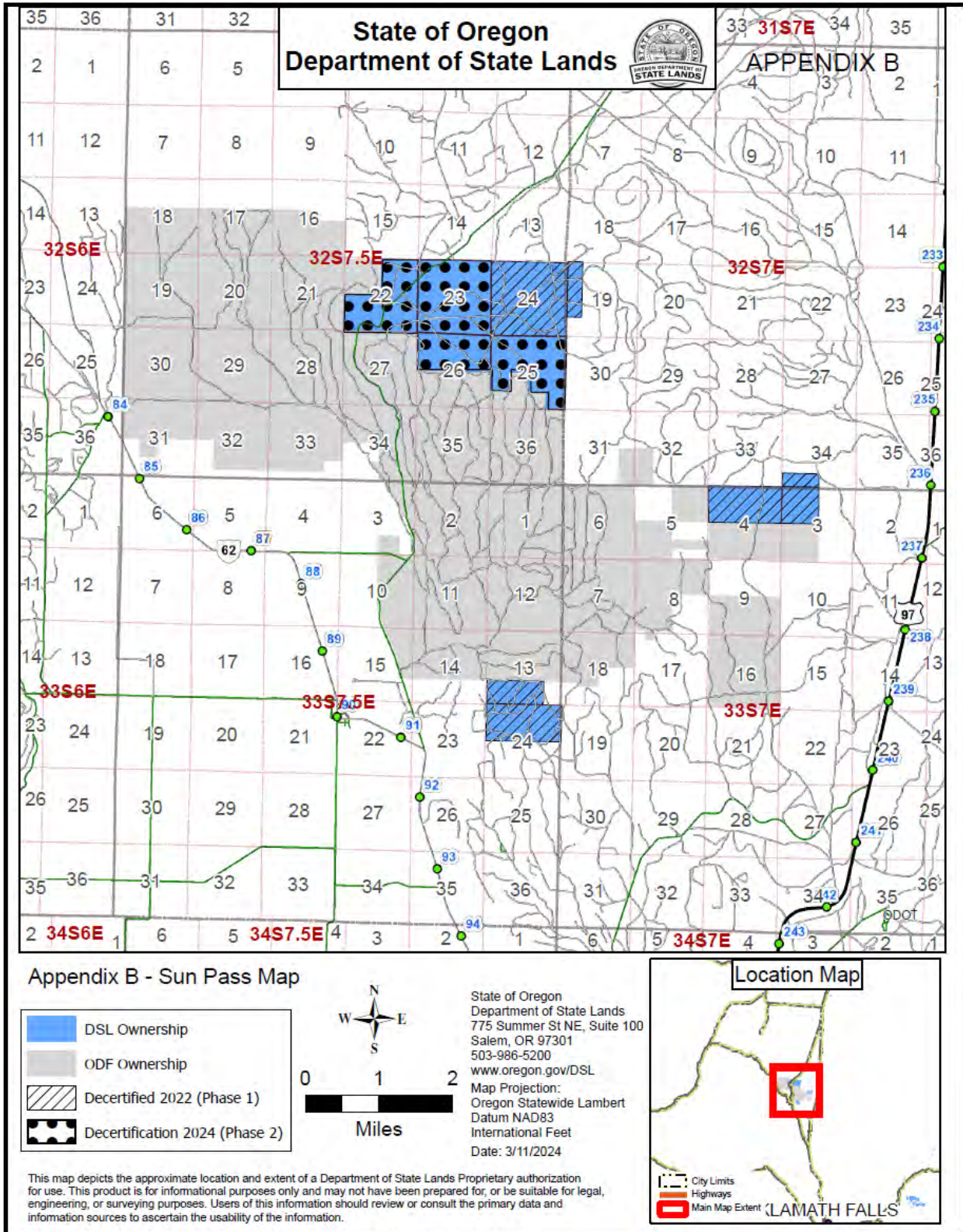
APPENDIX A

Map of Klamath District parcels showing total 2023 and 2024 decertifications in blue.



APPENDIX B

Map of Sun Pass parcels depicting decertification 1 (2023) and 2 (current action).



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