

# Oregon Trust Lands & Education Funding

As new states entered the union, Congress made land grants to those states to provide support for a variety of public institutions, principally public schools. These lands were accepted through ratification of state constitutions that contained provisions guiding the state's management of these lands. Unlike public lands, state trust lands are held in trust by the state for designated beneficiaries. As trustees, state land managers have a fiduciary duty to manage the lands for the benefit of the beneficiaries of the trust grant. They lease and sell these lands for a diverse range of uses to meet that responsibility – generating revenue for the designated beneficiaries, today and for future generations.

There are approximately 760,000 surface acres and 1.2 million mineral acres of trust land in Oregon.<sup>1</sup> Surface acres include land that is managed for timber and grazing. The mineral acres include underground areas that could be managed for resource extraction. Most of the trust lands in Oregon are concentrated in the southeastern part of the state. There is also a large consolidated block of trust land in the southwestern part of the state known as the Elliott State Forest. The remainder of the land is scattered throughout the state.<sup>2</sup>

## State Trust Lands in Oregon



Light blue designates state trust land.

*\*Due to sale activities for given trust lands, maps may not reflect the most current holdings of a given state trust land agency.*

*Map: Sonoran Institute*

## How are trust lands in Oregon managed?



Photo: Oregon Department of State Lands

Trust lands in Oregon are managed by the Oregon Department of State Lands (ODSL) under the direction of the State Land Board (Board).<sup>3</sup> The Board is composed of Oregon's top three elected officials: the Governor, Secretary of State, and the State Treasurer.<sup>4</sup> The Board appoints the Director of the Oregon Department of State Lands who acts as chief executive officer.<sup>5</sup> The Board is required by the constitution to manage these trust lands "with the object of obtaining the greatest benefit for the people of this state, consistent with conservation of this resource under sound techniques of land management."<sup>6</sup>

The ODSL is required to "manage, control and protect" the trust land in order to obtain the highest "permanent value of the lands."<sup>7</sup> The agency is responsible for the management, lease and sale of trust lands, the receipt of revenues from trust land activities, and the subsequent transfer of these funds to the State Treasurer. ODSL's mission is "To ensure the legacy for Oregonians and their public schools through sound stewardship of trust lands, wetlands, waterways, unclaimed property, estates and the Common School Fund."<sup>8</sup> The agency's Land Management Division is funded out of the income generated by trust resources.<sup>9</sup>

## Who are the beneficiaries of trust lands in Oregon?

Revenues generated from Oregon's trust lands are deposited into one trust fund although Oregon's original trust land grants included six beneficiaries. The legislature consolidated all original trusts into the Common School Fund, and an 1887 law directed all future sales income from internal improvement lands to be deposited into the Common School Fund.

### Oregon Trust Land Beneficiary Funds and Surface Acreage Dedicated to Each<sup>10</sup>

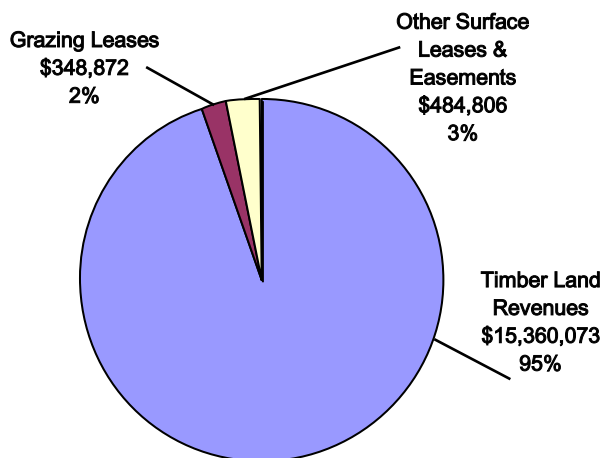
Fund	Beneficiary	Surface Acres in Fund	% Acres
Common Schools	Public Schools (K-12)	758,585	100.0%
Capital Buildings	To construct public buildings	0	0.0%
Internal Improvements	Public Schools (K-12)	518	0.0%
Agricultural College Land	Oregon State University	0	0.0%
Salt Springs Fund	To protect salt springs for public use	0	0.0%
University Fund	University of Oregon	0	0.0%
	<b>Total</b>	<b>759,103</b>	<b>100.0%</b>

Public schools are the designee of essentially all remaining trust land in Oregon and receive 100% of the net revenue generated by trust land in the state.



Photo: Oregon Department of State Lands

## How are revenues generated from trust lands?



Revenue Streams from Oregon Trust Lands for Public Schools, FY 2004<sup>12</sup>

The largest source of trust land revenue for the Common School Fund is from timber harvests from of the Elliott State Forest. Leases on the agency's headquarters building; grazing leases; agricultural, industrial, and commercial leases; waterway leases; fees; and easement revenue make up all other revenue generated in FY2004.<sup>11</sup> A significant amount of revenue is generated from the management of non-trust lands such as the beds and banks of state-owned waterways, including the Territorial Sea. The revenues from leasing, easements and mining - known as statutory revenues - are used to fund other ODSL programs. The unused balance is deposited into the CSF along with trust-land funds.

## How does the revenue get to the beneficiaries?

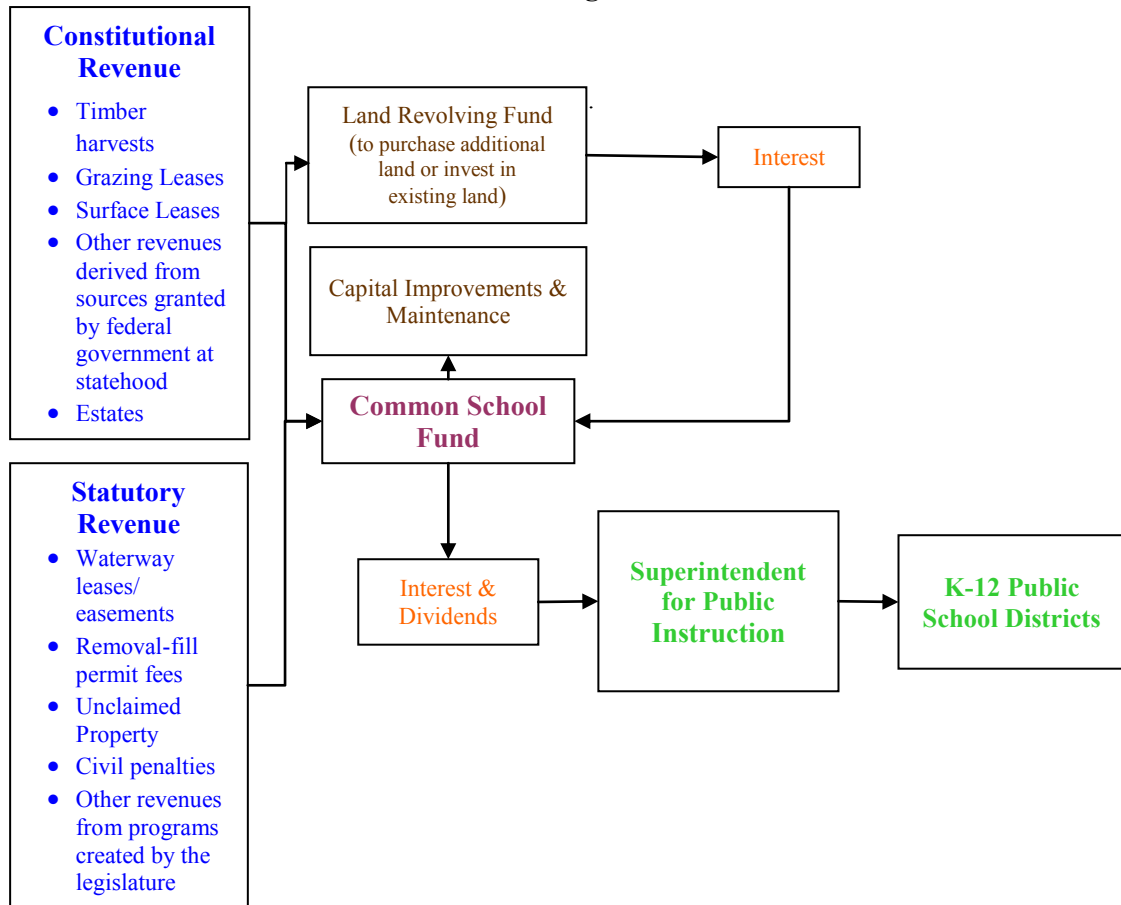
Each year, revenues generated from trust and non-trust land uses are deposited into the Common School Fund, and include all sources of land management income, from timber harvests and grazing leases (known as constitutional revenue) to waterway leases and easements (known as statutory revenue). Additionally, unclaimed property receipts and revenue from escheated estates are deposited into the Common School Fund. The ODSL has the power to place land revenue into a land bank, an account invested in short-term investments while replacement lands are considered.<sup>13</sup> The earnings from the short-term investment of the land bank are deposited into the Common School Fund.<sup>14</sup> During the biennium ending June 30, 2005, Oregon trust lands generated approximately \$37.3 million.<sup>15</sup> The market value of the common School Fund was \$911 million by the end of 2004; the current market value is over \$1 billion.

The Common School Fund is managed and invested according to the prudent investor rule by the State Treasurer and the Oregon Investment Council under the direction of the State Land Board. The Investment Council is comprised of the Director of Public Employees Retirement Services (non-voting member), the State Treasurer, and five investment professionals appointed by the Governor.<sup>16</sup> The interest from the Common School Fund is distributed on a semiannual basis to the Superintendent of Public Instruction according to a formula established by the State Land Board.<sup>17</sup> The formula is a sliding-scale based on a three-year rolling average change in the value of the fund. The Board distributes a minimum of 2% of the Fund if there are sufficient earnings, and up to 5% of the Fund if the Fund value increases 11% or more in a year.<sup>18</sup> The net return for FY 2005, including capital gains and losses for the Common School Fund was 9.21%.<sup>19</sup>

The Superintendent of Public Instruction distributes the funds on a semi-annual basis according to a formula established by the State Land Board.<sup>20</sup> These funds are distributed to all of Oregon's K-12 public school districts on a per pupil basis directly by the Oregon Department of Education, per legislation passed in 2005.<sup>21</sup>

The Common School Fund is primarily an endowment fund for Oregon Public Schools, but the principal has been used to construct and maintain the ODSL headquarters building, improve existing land, and restore land damaged by fire.<sup>22</sup>

**Public School Funding Chart<sup>23</sup>**



Public schools in Oregon receive funding from a combination of federal, state, local and other funds. State funding provides 34.4% of total education funding, and of the state's portion, trust land revenues make up approximately 1.4% of that amount.

**Public School Funding Source Diagram<sup>24</sup>**

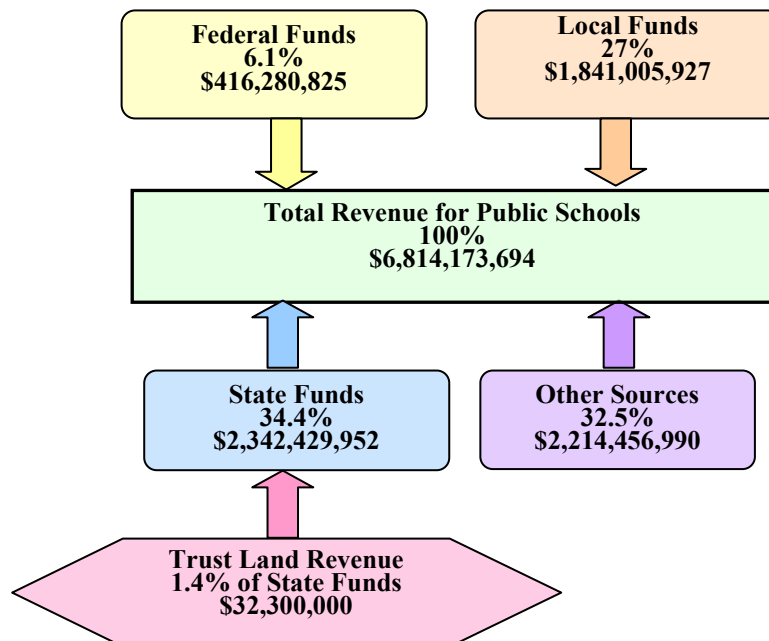






Photo: Oregon Department of State Lands

Representatives of the public school beneficiaries are actively involved in trust land and fund management. One way the beneficiaries are involved is through a Common School Fund Advisory Committee, which consists of representatives from the School Boards Association, the School Administrators' Association, the Parent Teacher Association and the Education Association. As the value of the Common School Fund increases, so will the semi-annual distribution to each of the public school districts in Oregon"

## Sources:

- <sup>1</sup> Data provided by Julie Curtis, Communications Manager, Oregon Department of State Lands, Personal Communication, 2006.
- <sup>2</sup> Ann Hanus, Director, Oregon Department of State Lands, Telephone Interview, 2006.
- <sup>3</sup> Oregon Constitution Article VIII § 5 and Oregon Revised Statutes § 273.041.
- <sup>4</sup> Ibid.
- <sup>5</sup> Oregon Revised Statutes § 273.171.
- <sup>6</sup> Oregon Constitution Article VIII § 5 (2).
- <sup>7</sup> Oregon Revised Statutes § 273.051.
- <sup>8</sup> Oregon Department of State Lands, "Protecting Oregon's Natural and Fiscal Resources," Pamphlet, 2005.
- <sup>9</sup> Oregon Revised Statutes § 273.105.
- <sup>10</sup> Data provided by Julie Curtis, Communications Manager, Oregon Department of State Lands, Personal Communication, 2006.
- <sup>11</sup> John Lilly, Asset Manager, Oregon Department of State Lands, Personal Communication, 2006.
- <sup>12</sup> Ibid.
- <sup>13</sup> Oregon Revised Statutes § 273.413 – Land Revolving Account.
- <sup>14</sup> Ann Hanus, Director, Oregon Department of State Lands, Telephone Interview, 2006.
- <sup>15</sup> John Lilly, Asset Manager, Oregon Department of State Lands, Personal Communication, 2006.
- <sup>16</sup> Oregon Revised Statutes § 273.141, § 293.726, and § 293.706.
- <sup>17</sup> Oregon Revised Statutes § 327.410.
- <sup>18</sup> Oregon Department of State Lands, Oregon's Common School Fund, Pamphlet, 2005.
- <sup>19</sup> Inga Deckert, Director of Legislative and Public Affairs, Oregon State Treasury, Personal Communication, 2006.
- <sup>20</sup> Oregon Revised Statutes § 327.410.
- <sup>21</sup> Oregon Department of State Lands webpage, [www.oregon.gov/DSL/DO/aboutcsf.shtml](http://www.oregon.gov/DSL/DO/aboutcsf.shtml).
- <sup>22</sup> Oregon Revised Statutes § 273.115.
- <sup>23</sup> Generated from information from the Oregon Department of State Lands web site.
- <sup>24</sup> FY 2003 data from National Center for Education Statistics with the exception of the Trust Land Revenue data, which comes from the Oregon Department of State Lands *Common School Fund Pamphlet 2003*. Other Sources is defined as "Revenue from bond principal and premiums, sale of school property, or compensation from loss of fixed assets." NCES Database, Glossary, <http://nces.ed.gov/ccd/bat/Glossary.Asp?letter=O>.

This report was prepared by the Sonoran Institute/Lincoln Institute of Land Policy Joint Venture and Children's Land Alliance Supporting Schools (CLASS). Thanks to Wendine Thompson-Dawson and Alden Boetsch for their research and writing efforts.

For more information  
Contact Susan Culp at 602.393.4310.

[sculp@sonoran.org](mailto:sculp@sonoran.org)  
or Paula Plant/Margaret Bird at  
801.538.5132, [class@childrensalliance.com](mailto:class@childrensalliance.com)