

STAFF REPORT

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ACTING AS THE SCHOOL LAND BANK FUND TRUSTEE, CONSIDER GRANTING AUTHORITY TO THE EXECUTIVE OFFICER TO EITHER ENTER INTO AN INTERAGENCY AGREEMENT OR TO SOLICIT PROPOSALS FOR CONSULTANT SERVICES, NEGOTIATE A FAIR AND REASONABLE PRICE, AND AWARD AND EXECUTE AN AGREEMENT TO CONDUCT AN INVENTORY OF THE COMMISSION'S FORESTED SCHOOL LANDS AND TO PREPARE A FOREST MANAGEMENT PLAN OR PLANS

PARTY:

California State Lands Commission, acting as Trustee of the School Land Bank Fund

BACKGROUND:

School lands were granted to the State of California by the federal government under the Act of March 3, 1853 (Ch. 145, 10 Stat. 244), and consisted of the 16th and 36th sections of land in each township (with the exceptions of lands reserved for public use, lands taken by private land claims, and lands known to be mineral in character). In cases of preemption due to the exceptions described above, the State was given the opportunity to select replacement lands from the United States in lieu of a Section 16 or a Section 36. These replacement lands are now known as Indemnity school lands or lieu lands.

School lands were placed into a statutory trust in 1984 when the Legislature enacted the School Land Bank Act (Act) and created the School Land Bank Fund (SLBF or Fund). The Commission is the trustee of the Fund and manages it on behalf of the Fund's beneficiary, the State Teachers' Retirement System. The Act states that school lands and attendant interests are to be proactively managed and enhanced to provide an economic base in support of the public school system. Net revenues from the leasing of school and lieu lands are deposited into the State Treasury to the credit of the State Teachers' Retirement Fund pursuant to Public Resources Code section 6217.5.

The Commission, acting in its capacity as trustee, manages approximately 458,843 acres of fee-owned school lands. Of these, approximately 55,000 acres are forested. Up until the late 1990s, the Commission had foresters on staff who actively managed its forested school lands. Retirements and redirection of staff

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led to the forested lands being largely neglected since then. Timber salvage and sanitation operations have occurred on an as-needed basis due to losses from natural causes, such as fire, high winds, insect infestation, and disease. Existing staff are generally redirected to support these efforts. In Fiscal Year 2019-20, staff requested and received a budget augmentation for funding of one position to manage the Commission's forested school lands. The position will act as the project manager for the proposed forested lands inventory. The position will also collaborate with other public agencies that manage forest resources and will be responsible for maintaining the inventory of the Commission's forested land, as well as managing its forested land as a statewide resource.

PROPOSED ACTIVITY:

Public Resources Code sections 8705 and 8709.5 authorize the expenditure of funds from the School Land Bank for management of the Fund. The Executive Officer is now requesting authority to expend School Land Bank funds to either enter into an interagency agreement with another State agency or to solicit proposals for consultant services to conduct an inventory of the Commission's forested school lands. The agency or consultant will conduct an inventory to assess health, species, size, and density of those forested lands. Using the information gained from the inventory, the agency or consultant will prepare one or more forest management plans and make recommendations on such matters as which lands may be suitable for carbon credits or timber harvesting and which lands need remedial measures. The inventory will also be used to identify areas for sustainable commercial timber harvest to generate revenue and maximize forest health goals.

The bid for the consulting contract shall be conducted consistent with procedures as specified in the State Administrative Manual and State Contract Manual. All bid proposals and evaluation sheets will be available for public inspection at the Sacramento office of the Commission in accordance with Public Contract Code requirements.

STAFF ANALYSIS AND RECOMMENDATION:

Authority:

Public Resources Code sections: 6005 , 6106, 6216, 6217.5, 8701, 8705, 8709.5, 8711; State Contracting Manual (rev. 6/2017); State Administrative Manual section 1200 (Contracts); Public Contract Code section 10335 et seq. (State Contracts for Services)

State's Best Interests Analysis:

California has 33 million acres of forestland and an urban forest canopy that together capture and clean the water supply, provide habitat for countless wildlife, cool cities, support local economies, and serve as

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spiritual and cultural centers for tribal and local communities across the state. Forested lands are also the largest land-based carbon sink, with trees and underbrush drawing carbon from the atmosphere and storing it in their cellulosic structure and in forest soils. Growing evidence, however, suggests that these lands will become a source of overall net greenhouse gas (GHG) emissions if actions are not taken to enhance their health and resilience and to reduce the threats they face from wildfire, insects, disease, and the changing climate. Of the 33 million acres in California, the Commission has fee-ownership of approximately 55,000 acres of forested land.

California's forests, wildlands, and adjacent communities have seen significant impacts associated with climate change over the past 8 years. Recent wildfires have been the largest, deadliest, most destructive, and costliest in state history. Additionally, more than 129 million trees, primarily in the Sierra Nevada, have died from drought and insects since 2010. It is estimated that as many as 15 million acres of California forests need some form of restoration. The series of recent destructive events includes:

- Largest forest fire in the state's history: Rim Fire (2013), with 257,314 acres burned
- Largest wildfires in the state's recorded history: Thomas Fire (December 2017), with 281,893 acres burned; Mendocino Complex Fire (July 2018), with 459,123 acres burned; and Carr Fire (July 2018), with 229,651 acres burned
- Deadliest wildfire or wildfire complex in the state's history: Northern California Fires (October 2017), responsible for over 40 deaths, and the recent Camp Fire (November 2018), responsible for 85 deaths
- Most destructive wildfire: Tubbs Fire (October 2017), with 5,643 structures destroyed, and the Camp Fire (November 2018), with 18,804 structures destroyed
- Record drought: The 2012-2016 drought, unprecedented in its combination of warmth and dryness
- Record tree mortality: The death of 129 million trees (2010-2017), due to drought, insects, and high stand density, mostly concentrated in 10 "high-priority" counties in the Sierra Nevada

Recognizing that the worsening threats to forests demanded immediate attention, former Governor, Edmond G. Brown Jr. convened a Forest Climate Action Team (FCAT) in 2014. The Commission was an active participant on the FCAT. After much research, analysis, and input from stakeholders, the FCAT released a Forest Carbon Plan in May 2018. The Plan considers opportunities to reverse the recent and historic adverse trends and firmly establish California's forests as a

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more resilient and reliable long-term carbon sink, rather than a GHG and black carbon emission source. The plan provides multiple strategies to promote healthy and resilient wildland and urban forests that protect and enhance forest carbon and the broader range of public benefits from all forests in California. The plan lays out recommended actions to achieve healthy and resilient forests based on current knowledge about forests and how climate change will evolve in California.

If status quo forest management and global GHG emissions patterns persist, there will be a significant increase in human health impacts that result from more smoke in the air, especially at the times (i.e., late summer) when air quality problems are already at their most severe. Extensive and timely thinning of significant areas of California's forests and the reintroduction of prescribed and managed fires, where feasible, will make forests healthier and more resilient to insects and disease for many generations to come, while significantly reducing fire-related threats to life, property, forest carbon stocks, and other forest benefits. The proposed forest inventory is a necessary step for the Commission to fulfill its land management responsibilities and to meet the State's goals of combating climate change. Thus, the proposed action to enter into an interagency agreement or hire a consultant to conduct a forest inventory is in the State's best interests.

OTHER PERTINENT INFORMATION:

1. In considering this action, the Commission is acting in its capacity as the School Land Bank Fund Trustee pursuant to Public Resources Code sections 8705 and 8709.5.
2. This action is consistent with Strategy 1.1 of the Commission's Strategic Plan to deliver the highest levels of public health and safety in the protection, preservation and responsible economic use of the lands and resources under the Commission's jurisdiction.
3. Authorization to contract for an inventory of the Commission's forested school lands, and to expend funds for a land investment consultant is not a project as defined by the California Environmental Quality Act because it is an administrative action that will not result in direct or indirect physical changes in the environment.

Authority: Public Resources Code section 21065 and California Code of Regulations, title 14, section 15378, subdivision (b)(5).

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RECOMMENDED ACTION:

It is recommended that the Commission:

STATE'S BEST INTERESTS:

Find that the activity is in the best interests of the State.

AUTHORIZATION:

Acting as the School Land Bank Fund Trustee, grant authority to the Executive Officer, or her designee, in accordance with applicable State contracting laws and regulations, to take all necessary actions to enter into an agreement to conduct an inventory of the Commission's forested school lands and prepare a forest management plan or plans, including but not limited to, surveying other agencies for expertise, soliciting proposals for consultant services, negotiating a fair and reasonable price, and awarding and executing an agreement.