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QuickPoint! – How Much Is the Elliott State Forest Worth to Oregon Schools?

(Don't Forget the Value of Compounding)

By John A. Charles, Jr.

Advocates of public schools frequently complain about the need for more money, yet many of them are now objecting that the State Land Board is on the verge of selling off the Elliott State Forest, which is an endowment asset for public schools.

The fact is, the Land Board is required by the Oregon Constitution to maximize revenue from the Elliott. The sale has to go forward because timber management is no longer profitable. But the Board should insist on competitive bids, which it is currently prohibiting. The Board should also remove all restrictions on future timber harvesting.

If the Elliott were sold in a competitive auction, it would likely go for \$350 million or more. Let's assume that the proceeds were invested in a manner similar to the PERS fund and had average annual returns of 7.5%, which is the target rate for PERS.

After 50 years, the investment would be worth \$13 billion; but after 100 years, it would be worth \$487 billion. The huge difference in the two time periods is due to the miracle of compounding.

Do school funding advocates have a better idea for raising \$487 billion? If not, they should support an auction sale of the Elliott State Forest.

John A. Charles, Jr. is President and CEO of Cascade Policy Institute, Oregon's free market public policy research organization.