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STATE LAND BOARD

October 11, 2005
Department of State Lands
State Land Board Room
775 Summer Street N.E.
Salem, Oregon 97301-1279

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1

2 **DIRECTOR HANUS:** Thank you. Good morning members of the Land
3 Board. For the record, I'm Ann Hanus, the Director of Department of State
4 Lands. I don't have any major actions items before you so we'll start off with the
5 consent agenda. Today, what you'll be hearing is a couple of information items.
6 One would be your annual forestry report from the Department of Forestry and
7 also an annual report on property management activities as well as a customer
8 service report. So, starting off with the consent agenda items. The first agenda
9 item is request for approval for us to appear before the October Legislative
10 Emergency Board to request increases in Federal Fund and Other Fund
11 expenditure limits. We have three federal grants that we're going to be asking
12 the E-Board for approval of and also, in – for increased limitation for rent on the
13 Bend office. The good news, in terms of the federal grants are that we have –
14 we're applying for a federal grant to investigate restoring native oysters in South
15 Slough National Estuary. Water quality has improved to the point where it's now
16 -- looks like it can sustain native oysters. We also received a major EPA federal
17 grant of about \$1.3 million that would allow us to be a big boost to implement the
18 Statewide Programmatic General Permit. It also allows us to improve wetland
19 restoration projects and tracking of them. And then also, we received a major
20 U.S. Fish and Wildlife Service grant at \$446,000 and this will be for developing
21 the Habitat Conservation Plan for the Elliott State Forest. What's great about this
22 is that directly offsets the Common School Fund money that would otherwise go
23 into the development of the Habitat Conservation Plan. So this money will be

1 used by the Department of Forestry to do so. We – we are also asking for a
2 limitation increase due to a relocation of our Bend office. After it was too late to
3 make any adjustment to our budget, we received notice that we have to move
4 from our current location in Bend and the rent is going to be higher than what we
5 had budgeted for that.

6 The second item is a request from the Port of Portland to convert a 20-
7 year easement, currently in place, to a permanent easement in perpetuity. There
8 was a channel that was constructed for benefiting salmon. It's an ecosystem
9 restoration feature on Lord-Walker Island in the Columbia River. This is a project
10 that was done in cooperation with the Army Corps of Engineers and the Port of
11 Portland. So they're asking that a 20-year easement be converted to a
12 permanent easement for the perpetual maintenance of that channel.

13 And the last two items on the consent agenda are approval of minutes
14 from the June meeting and approval of minutes from the August 9th meeting.
15 And we recommend approval of the Consent Agenda Items.

16 **GOVERNOR KULONGOSKI:** Ann let me ask you a question, given the
17 fact that I deal with the Emergency Board and Legislative Fiscal all the time. Do
18 you deal with the, or have a contact with them independently of what my office
19 does on these issues?

20 **DIRECTOR HANUS:** First we work with DAS and the Budget office and
21 we let them know what we're doing and then we also have met with Legislative
22 Fiscal Office, so they know what we're doing as well.

1 **GOVERNOR KULONGOSKI:** Take it one more step. Obviously you've
2 got a number of items on the -- your going to have to talk -- on your request for
3 the Emergency Board, have you talked to any of the legislators about it at all?

4 **DIRECTOR HANUS:** We usually don't talk to legislators about
5 Emergency Board items until we get the go ahead from DAS to do so.

6 **GOVERNOR KULONGOSKI:** Well, thank you for that. Now

7 **DIRECTOR HANUS:** So I don't know

8 **GOVERNOR KULONGOSKI:** I'm just trying to figure out -- look, you've
9 got some things here that are controversial -- something I'm just trying to figure
10 out what we do when we talk to -- my Chief of Staff talks to them, what you're
11 doing.

12 **DIRECTOR HANUS:** Usually I will call the legislators once we've
13 received approval from DAS and talk with them about each of the agenda items
14 and see if they have any issues connected with them, especially those members
15 that I think would have a high interest in the agenda items. On two of them, I
16 should say, we've already gone before the legislature, probably the ones that are
17 most controversial, being the Elliott State Forest HCP one and possibly the
18 SPGP. We've already received approval from the legislature to apply for a loan.

19 **GOVERNOR KULONGOSKI:** Are you prepared to discuss with them my
20 letter I wrote to Marvin Brown, the State Forester about the budget notes?

21 **DIRECTOR HANUS:** I'll invite Marvin to come along and join me.

1 **TREASURER EDWARDS:** I just had a question. Just to clarify on the
2 rent increase. This information you gave us initially was \$110 -- \$112,000, it's
3 now \$60,000, is that right?

4 **DIRECTOR HANUS:** Right.

5 **TREASURER EDWARDS:** And is that annually?

6 **DIRECTOR HANUS:** That is for the biennium. Is that correct? That's for
7 the biennium.

8 **TREASURER EDWARDS:** Thank you.

9 **SECRETARY BRADBURY:** (UNINTELLIGIBLE) Mr. Chair, I would move
10 to approve the consent agenda.

11 **GOVERNOR KULONGOSKI:** You heard the motion. Second?

12 **TREASURER EDWARDS:** Second.

13 **GOVERNOR KULONGOSKI:** Any further discussion? Any objections?
14 Approved.

15 **DIRECTOR HANUS:** Before we go into the annual reports I would like to
16 have the Land Board recognize Monte Turner who is the Communications
17 Coordinator. He is retiring after 21 years of service in state government. And I
18 think Monte epitomizes excellence in state government service. He's been highly
19 respected. He's very well liked. He does his job in an incredibly professional
20 and congenial manner and we're going to miss him greatly.

21 He's focused on customer service and you'll see later on what the results
22 of that have been in our customer service report and also on increasing the
23 public's understanding of the Common School Fund, the Removal/Fill Program

1 and Unclaimed Property, so we have a plaque here to honor Monte and I'd ask
2 that he come forward and we can have a photograph.

3 **GOVERNOR KULONGOSKI:** I'll get my coat on.

4 **TREASURER EDWARDS:** That's why I wore my brightest tie for him. I
5 knew this was happening.

6 **DIRECTOR HANUS:** Gail? Oh there's Chris.

7 **MONTE TURNER:** Okay. A communicator wouldn't – wouldn't leave
8 without saying something

9 **SECRETARY BRADBURY:** Saying something.

10 **MONTE TURNER:** I really appreciate Ann's kind words. When I first
11 applied for this job, about four and half years ago, I was probably – you know, I
12 had worked with State Lands on committees and things, but was, like a lot of
13 people not really that aware of the Land Board's role. But as I studied in
14 preparation for my interview, I really began to understand the high level of
15 scrutiny and attention that this agency gets and that really increased my interest
16 in working here and I've not been disappointed in those four and a half years.
17 The people at the top of an agency set the – the stage and set the tenor of the
18 agency, how the agency deals with people, how it deals with its employees and
19 the Land Board has set the tone very nicely. As I've observed your workings,
20 you have high standards, you have high expectations of the agency and you also
21 have a little mix of humor at the appropriate times to diffuse some the high
22 tension that does come before you. That mix has been very good to observe and

1 I've really enjoyed serving you and the citizens of Oregon. So, thank you very
2 much.

3 **GOVERNOR KULONGOSKI:** Monte, before you leave, I – you wouldn't –
4 I would be remiss if I didn't just speak, not only on behalf of the Land Board, but
5 for the people of Oregon. You know one of the great debates that is going on in
6 (fault lines) of our society is national (UNINTELLIGIBLE), is the role of
7 government and there is a view that somehow that government is not a positive
8 factor in our lives and the truth of it is, this is how a civil society comes together,
9 lives together to solve its common problems. And it's people like you in state
10 government that I think deserve much more credit than you're ever given
11 because I think this interface with the public in a very difficult time with very
12 difficult issues, I think is more of a comment about you and your efforts to make
13 this state a better place for all of us because I think you end up, a lot of times,
14 being the public face – communications people. And I just think that you do an
15 outstanding job and if it's any value to you, I just spent a week in one of the most
16 remote parts of Oregon, over in Diamond and Crane out toward desert with some
17 ranchers and I learned a couple of things, 1) juniper trees are the issue and
18 second, is that the ranchers understand this interface between government and
19 I'm not telling you that it's not an easy one, but I think that we got good marks
20 from the state. I think it's a right of passage for a rancher to be in a conflict with
21 the BLM and that's just the way life is, but with the state, I think that they actually
22 saw us trying and reach out try to partner and they want to be more cooperative.
23 And I really think that's a compliment to you people who do what you do because

1 you're the communications piece of this and I'm just very, very happy that this is -
2 - you're at retirement, but also I want you to leave with the understanding I do
3 think you made Oregon a better place for all of us.

4 **MONTE TURNER:** Thank you.

5 **DIRECTOR HANUS:** The next item we have is a report on the status of
6 the common school forest land management for the fiscal year 2005. I'd like to
7 invite Marvin Brown, who's the State Forester, who's going to discuss this and
8 he's also going bring Jim Young up here because they'll talk about the status of
9 the Elliott.

10 **MARVIN BROWN:** Good morning Governor, Secretary Bradbury,
11 Treasurer Edwards. It's nice to be here. Marvin Brown, State Forester. We're
12 here to give you the annual report on Common School Fund lands management
13 and I'm going to do that fairly briefly because we want to spend the bulk of the
14 time with Jim Young going over the Management Plan; the status of that, where
15 we're at right now because we're reaching a pretty critical point on development
16 of the new management plan and going for the Habitat Conservation Plan.

17 In the annual report, there's one – one correction to our cover letter and
18 we're going to send you an amended cover letter. The volume that we harvested
19 from Common School Fund lands was actually 42 million feet last year not 31.9
20 million feet, so that kind of starts out the story. Volumes are up across the
21 ownerships, the Elliott and the other intermixed pieces of Common School Fund
22 land. Values are up. I was telling Treasurer Edwards, they're still not where they
23 were five years ago, but they're – they kind of bottomed out last year and are up

1 a bit this year so the returns to the Common School Funds are up nicely this
2 year. Our – unfortunately our management costs are also up. A fair piece of that
3 is related to the work on the management plan, on the environmental impact
4 statement that goes with the Habitat Conservation Plan and other things. But
5 even with the cost of management up, our ratio of costs to total return is – is in a
6 favorable place. We’re actually spending a smaller percentage of return than we
7 have in the past. So I think that’s bit of good news.

8 **GOVERNOR KULONGOSKI:** Marvin, is revenue the -- I should say the
9 static nature of the revenue, is that just solely the result of price?

10 **MARVIN BROWN:** Prices are not where they were even four years ago,
11 so yeah, I’d -- they’re up a little bit from last year. Last year was the lowest in ten
12 years, average – and it’s in the charts, I think \$439 a thousand last year. It’s up
13 to \$477 this year but you look back at, I think it’s 2000 or 2001, it was over \$500
14 a thousand then. So at the same time we’re trying to get harvest volumes up, the
15 pricing isn’t helping this machine.

16 **GOVERNOR KULONGOSKI:** Well, let me ask you; is part of that price --
17 equation imports? Is that driving that on the supply and demand side?

18 **MARVIN BROWN:** It does. It does. Not logs necessarily, though there
19 are a surprising number of logs coming into Oregon, particularly from British
20 Columbia, but there’s also a lot of British Columbia lumber that competes directly
21 with our lumber market in California and a combination of those two things that –
22 the logs come into the state really are a matter of supply. Supply is very tight in
23 Oregon. You know, private lands, industrial lands are essentially maxed out and

1 so they have to go up to Canada to buy logs on occasion, but the lumber is really
2 what competes in our lumber market in California.

3 **GOVERNOR KULONGOSKI:** And then drives the public policy debate in
4 the legislature where, in fact, because of privacy, in response to the legislature, --
5 of the legislature, is to increase volume. It just seems to be a driver that people
6 never actually analyze and understand the relationship.

7 **MARVIN BROWN:** You're -- you're right, Governor. If I had my druthers,
8 the discussion would be around returns on the asset and performance of the
9 asset. And then when price is problematic like that, one of the things we have to
10 do is deal with our costs in order to keep returns at the right spot. And I think -- I
11 really think that's where -- that's where I keep trying to, unsuccessfully, steer the
12 discussion, is we need to talk about the performance of the asset, both in terms
13 of revenue, you know, net revenue and also environmental and social
14 performance. We kind of try to label it the triple bottom line for the public asset
15 and whether we're returning revenue wise but also socially and environmentally.

16 **GOVERNOR KULONGOSKI:** It always seems that we jump on the
17 easiest answer we can grab hold of.

18 **MARVIN BROWN:** Which is volume.

19 **GOVERNOR KULONGOSKI:** It's volume.

20 **MARVIN BROWN:** Yes. And it's

21 **GOVERNOR KULONGOSKI:** It's much more complicated.

22 **MARVIN BROWN:** The interesting piece, Governor, is pretty much every
23 -- in private industrial forestry operation that you look at, has moved away from

1 looking at their lands as a place – the place to get volume for their mills. They
2 look on it as an independent asset, one that needs to be improved over time and
3 have acceptable performance. And they've gotten completely away from this
4 notion that that's just a piece of land out there to throw wood at a mill. And so
5 that's one of the reasons why I would like to see the discussion move towards
6 performance of the asset because it's -- private industry realized a long time ago,
7 in the end what you do is degrade the asset if you don't look at it as an asset.

8 **TREASURER EDWARDS:** I think that's why there are so many logs for
9 sale on the east side of the Cascades. They're just on that (UNINTELLIGIBLE)
10 (UNINTELLIGIBLE) on sale of getting out of these properties.

11 **MARVIN BROWN:** Yeah. That's what – I mean, this is not what I'm here
12 to talk about, but what's gone on the east side; 72 percent of the land on the east
13 side of the state is owned by the federal government and when they decided to
14 get out the business of harvesting trees, essentially, that put tremendous
15 pressure on those private properties to keep the mills open and they've done that
16 as long as they can now and they're not going to do it much longer because the
17 logging is about gone on the large, private parcels. We got off the

18 **GOVERNOR KULONGOSKI:** No, no, I want you to get a chance. I just
19 think that somehow we've gotta reframe this discussion in terms of public policy
20 with what's the right thing to do and it just seems that you and I are having a hard
21 time getting a decision maker – other decision makers in government, to
22 understand this.

23 **MARVIN BROWN:** I keep trying though.

1 **GOVERNOR KULONGOSKI:** Oh, we both are. Go ahead. I'm sorry,
2 Marvin.

3 **MARVIN BROWN:** You have to have a certain amount of hard
4 headedness in this business.

5 **GOVERNOR KULONGOSKI:** The showman side.

6 **MARVIN BROWN:** But anyway, I think we're moving in the right direction
7 at this point in time. My, my – just gut feeling is price wise, we're going to stay
8 about the same at least through next year. Mortgage rates are going up which
9 will lower the demand for lumber but Katrina kind of kicks in there and some
10 other issues where, I think, in general, it's going to stay about where it's at for the
11 next year, which will be good.

12 Some other things that happened during the year: we did – Mason, Bruce
13 and Girard did finish the cost benefit analysis that the legislature had requested
14 and actually that turned out to be a real useful piece of information for us
15 because if you want to start thinking about our performance, that that study gives
16 you some real good background data and it projects a range of values based on
17 the kind of enterprise that might buy the Elliott and the range was I think
18 somewhere between \$450 million and \$250 million and at the same time, it
19 looked at our management plan in the present net value of implementing that
20 management plan except we were right in the middle of that range, which I think
21 is a pretty appropriate place to be. And actually, if you wanted to convert that
22 into a return on asset value, it puts us at about five plus percent, which I think is a
23 pretty good place to be if we can implement the management plan that Jim's

1 been working. So I think that was a real useful piece of background information
2 to have developed.

3 **TREASURER EDWARDS:** Jim, on the cost side that you've given us
4 here, you had a nine percent increase in the total of 5.1 million. And I think you
5 described earlier that part of that, or part -- a large part of it, may have been just
6 the work that we're doing with the HCP, do you, as you were just talking about
7 the value of the asset, do you -- does your organization look at the kind of longer
8 term in how you're going to manage those costs and obviously that's a concern
9 to us because it's money that we don't have in the till and do you see, as part of
10 the plan that we have long term here on the Elliott, how we manage those costs?

11 **JIM YOUNG:** Uh, yeah. I think, you know, there's two or three levels of
12 costs and I -- there are things that I think about myself personally. In the field --
13 the field operations is one aspect of costs. That's the people on the ground and
14 they -- the cost associated with them doing their business, pickup trucks, a place
15 to have an office and all that, and that's -- you know, in my -- my experience,
16 that's -- that's in pretty good shape. I think we're being pretty efficient down
17 there, you know salaries and all that. I probably shouldn't say this, but Jim's
18 salary is not near what it would be if he were a private industry person with 80
19 thousand acres of responsibility, so I don't think anybody can argue with us on
20 the cost on the ground. We don't have a rental cost at that facility, it's fully
21 owned, so all we pay is utilities. We -- you know we're pretty effective and
22 efficient on vehicles and things. There are, you know, some issues related to
23 being in business as a state around, we do more biological surveys than a

1 private company would. We do more things related to environmental and social
2 returns than a private company would, like an environmental impact statement
3 and developing the HCP. Those things, I think, you know, are why a state
4 agency, you know, would be happy with a five percent return on value, rather
5 than a ten percent. Because those are sets of costs that I don't think we can
6 avoid without really being viewed as not a balanced, responsible agency. And
7 then there's overhead costs, basically the costs that we charge all of our
8 programs out of Salem. And I haven't found a lot of reasons to think that those
9 are excessive at this point. We are paying for a new building, which everybody
10 gets charged for that. But, we have eliminated one of our assistant state forester
11 positions. We've not added any positions in the business services section or any
12 in the human resources section, so I you know, overall I think costs are
13 reasonable. I think we can always do better. We can always be more efficient.
14 Assuming that we implement this plan without any additional people, then I think
15 the cost of the percentage of the return is going to be even better as we go on.
16 These are things to look at. I don't say we are perfect, by any means. What, if I
17 can have a few more seconds.

18 **GOVERNOR KULONGOSKI:** No, please, go right ahead, cause I have a
19 question I want to ask you.

20 **MARVIN BROWN:** One of the issues that I feel like we are not dealing
21 with at this point effectively is the condition of our best business practices and
22 business systems agency wide. We've been working for about a year and a half
23 on a project we call the business needs assessment project. It goes in and looks

1 at what are the best business practices policies and operational guidelines that
2 we need. What technology do we need to support a really smooth, effective and
3 efficient way of dealing with budget, with financial transactions, with revenue, you
4 know dealing with all the information needs around that. Those pieces of the
5 Department of Forestry have not been invested in for a lot of years now and they
6 need upgrading very significantly. Forestry has an incredibly complex revenue,
7 budget, expenditure challenge, because of how we get money from so many
8 different places and that money has to be expended specifically for that purpose.
9 And our systems are not keeping up with that at all. So, nested within that whole
10 big picture is being able to do a better job on things like the Elliott, as well.

11 **GOVERNOR KULONGOSKI:** If I were to see a chart over the last ten or
12 fifteen years as the percentage of management costs of the gross revenues, the
13 27 percent, how would that fit in over the last ten or fifteen years. Am I fairly
14 consistent? Am I higher now? Is there a trend line?

15 **MARVIN BROWN:** I would say, and Jim might, if you know better than
16 me, just tap me on the shoulder. My sense is that in previous two or three years
17 net percentage is a lot higher, particularly when we were down at the level of only
18 returning \$8 million to the Common School Fund.

19 **GOVERNOR KULONGOSKI:** Did you have a much larger asset base
20 that you were trying to (UNINTELLIGIBLE)?

21 **MARVIN BROWN:** Yeah and you know, it's just a matter of that we have
22 pretty much kept the number of people about the same for ten, fifteen years, but
23 prices go down, volumes go down, pinches – pinches that issue. There was a

1 point there where the Common School Fund was harvesting more like 50 million
2 feet a year and I'd say then the ratio was better than it is. We are actually better
3 this year than we've been in the last fifteen years.

4 **TREASURER EDWARDS:** Maybe it was – maybe a more precise
5 question is—the 5.1 million, how did that trend, if it's not harvest based
6 particularly?

7 **MARVIN BROWN:** Yeah. It's uh, I think the increase from last year to
8 this was nine percent.

9 **TREASURER EDWARDS:** Right.

10 **MARVIN BROWN:** Except part of that is the – the contractor went to deal
11 with the environmental impact statement out. Jim what was the cost? Do you
12 know off hand?

13 **JIM YOUNG:** I think it was about \$420,000 but that hasn't all been spent.

14 **MARVIN BROWN:** From the looks of it probably about half has been
15 spent or maybe less.

16 **TREASURER EDWARDS:** Just so I understand, I'm sorry.

17 **GOVERNOR KULONGOSKI:** No, no.

18 **TREASURER EDWARDS:** Just so I understand the math here, it's \$19.1
19 was a gross number and the – so the net was \$5 million (UNINTELLIGIBLE)
20 \$19.1?

21 **MARVIN BROWN:** That I need to check. I thought the \$19.1 would be
22 the net return.

1 **TREASURER EDWARDS:** I'm just (UNINTELLIGIBLE) 5.1 of 20 is
2 roughly 27 percent. I don't know if that's just a coincidence.

3 **MARVIN BROWN:** Is that, that's

4 **JIM YOUNG:** I would think it is gross.

5 **MARVIN BROWN:** Okay Jim says it's gross. You're right.

6 **TREASURER EDWARDS:** Okay.

7 **MARVIN BROWN:** So, I'd say with, you know, if there's a nine percent
8 increase and there's a \$400,000 contract on the EIS, that's 10 percent of last
9 year's budget right there. Of course we didn't spend it all. We did – we have
10 added a couple of limited duration positions during the last E-Board to deal with
11 some issues on the Elliott and some biological support.

12 **TREASURER EDWARDS:** Is that roughly what we see with your other
13 clients, that percentage?

14 **MARVIN BROWN:** The nine percent?

15 **TREASURER EDWARDS:** Well, that plus the percentage of revenue. Is
16 that consistent charge, I mean?

17 **MARVIN BROWN:** No, probably not. I'd say, you know for, if you think in
18 terms of the landowners that we do fire protection for, it doesn't apply to growth.
19 Their increase in cost is probably two percent or less. We're actually – one other
20 client are the folks we deal with at forest practices in forestry assistance because
21 of the reduction in the General Fund, over the six-year period, we've actually
22 reduced by about 25 percent. So, it's all over the place. The cost on the
23 Tillamook and Clatsop, the Board of Forestry lands, I would – I don't know, but I

1 would guess that it's probably in the five percent domain somewhere,
2 somewhere in there.

3 **TREASURER EDWARDS:** Thank you.

4 **GOVERNOR KULONGOSKI:** The think is that – it's, what the State
5 Treasurer was, I think, we're both trying to get at is that -- what I've gotten out of
6 your conversation is 'don't look a percentage figure' and what we're trying to
7 drive to is whether, in fact, the numerical figures is consistent as in management
8 cost for what we've been doing for the last 10-15 years. And that 's what I
9 thought you were talking about, the best business practices, and trying to figure
10 out exactly how you can manage those management costs.

11 **MARVIN BROWN:** Actually, the best business practices piece I think
12 what he's talking about were really more mundane. It's like how often do we
13 reconcile accounts?

14 **GOVERNOR KULONGOSKI:** Oh, okay.

15 **MARVIN BROWN:** In terms of the – you know -- management efficiency,
16 that's really dealt with more on an ad hoc basis (UNINTELLIGIBLE) talk to
17 people, listen to people. You know we hear the kind of – kind of thought
18 processes they use. For example we decide whether we're going to use inmate
19 crews for tree planting or if we're going to contract it. You know we're at a break-
20 even point on that decision right now. I mean when I see people having those
21 kind of discussions and comparing using private industry as a basis for deciding,
22 do we go contract or do we keep prison labor I think they're applying good
23 business practices and making good decisions.

1 **GOVERNOR KULONGOSKI:** (UNINTELLIGIBLE)

2 **MARVIN BROWN:** Well, I'm about done. The only other thing I would
3 mention, in terms of last year's events; we've got the Sun Pass Forest over north
4 Klamath. There's about 6,000 acres of that. That's Common School Fund land
5 and we're, right now, involved in going through Forest Stewardship Council
6 certification for the Sun Pass State Forest and I thought you might be interested
7 in that. It's strictly a market decision in my mind. We've got a bunch of forest
8 stewardship council wood user in that area; Columbia Hardwood Products,
9 Collins Pines and others. I think in the end we're going to more than recoup the
10 cost of certification from doing that and every indication to get from them is that
11 we will also. I thought you might be interested in that.

12 **SECRETARY BRADBURY:** So, it's, so it's – Mr. Chair.

13 **GOVERNOR KULONGOSKI:** Go right ahead, please.

14 **SECRETARY BRADBURY:** So it's FS, Forest Stewardship Council. The
15 huge challenge is it's one thing to get eastern Oregon forestland certified, it's a
16 whole different world to get western Oregon forest land certified.

17 **MARVIN BROWN:** Correct.

18 **SECRETARY BRADBURY:** So, are you still sort of – you've been
19 involved in sort of trying to figure out what you can do in relation to that, so what
20 can you tell me about western certification?

21 **MARVIN BROWN:** What – what were actually initiated for Board of
22 Forestry lands on western side at this point is we're going to have the same kind
23 of audit conducted against our own plans and standards. You know really all

1 that's – that's what a certification audit is, is there's a set of standards and plans
2 that, you know, have been developed and you measure yourself against those.
3 The Board of Forestry has that with their very involved plan on the forest and
4 we're going to bring in a third party audit that evaluates whether or not we're
5 achieving standards and the goals that are outlined in that plan. I think it will be a
6 good exercise.

7 **SECRETARY BRADBURY:** Good. Yes.

8 **GOVERNOR KULONGOSKI:** Anything else Marvin?

9 **MARVIN BROWN:** No, if it's okay I will turn it over to Jim to run through
10 the plan.

11 **GOVERNOR KULONGOSKI:** Please

12 **MARVIN BROWN:** I will say this, we are getting in a critical time on the
13 plan now. There's – the final draft of the plan is completed. It's been reviewed
14 by some folks from there. We're going to be moving into negotiation for habitat
15 conservation plan. That's going to get to be tricky to see if they like what we've
16 done to the extent of signing a long-term incidental take permit. If we don't get
17 that it's going to be very difficult to realize the kind of revenue objectives that we
18 all want to see on the property. I'll let Jim go through that.

19 **JIM YOUNG:** Morning Governor, Mr. Treas – Mr. Secretary, Mr.
20 Treasurer. My name's Jim Young, for the record, district forester for the Coos
21 District and we're going to give you an update on the planning process this
22 morning if I can make this work. Monte, I might need some help from you to get
23 this (UNINTELLIGIBLE).

1 **TREASURER EDWARDS:** Ann, is this report in our book?

2 **DIRECTOR HANUS:** Not on the Elliott, no but we could make copies for
3 you and send them to you.

4 **JIM YOUNG:** Okay. Well, what I want to do today is provide an overview
5 of where we're at, provide some background information, talk about the current
6 management, some of the issues driving the planning process, the planning
7 approach that we have taken, the status of the key elements in the planning
8 process and then the timeline for the rest of the process.

9 Okay. This is the western part of Oregon and you can see where the state
10 forestlands are in Oregon. Most of those show up as blue and that's because
11 those are Board of Forestry lands. That pink color is common school land. You
12 can see the Elliott down there is mostly the pink color -- common school land.
13 Looking at that a little bit closer, the Elliott is about 93,000 acres just to the east
14 of Reedsport there. Again 91 percent common school land, nine percent Board
15 of Forestry and the first state forest, established in 1930. And the revenue from
16 the common school lands goes into the Common School Fund, as you know and
17 the department gets reimbursed for management expenses for that. And then a
18 portion of the earnings from the Fund are distributed to schools, all the school
19 districts in the state twice a year.

20 Current management of the forest that's in accordance with the
21 Department of State Lands Asset Management Plan which talks about common
22 school forest lands to be managed primarily for a sustainable, even flow harvest
23 of timber, subject to these other considerations up here. And we do have a

1 current management plan, the 1995 Habitat Conservation Plan and that plan had
2 incidental take coverage for both the spotted owl and the marbled murrelet. The
3 owl was for 60 years and the murrelet was for six years because not a lot was
4 known about the murrelet at that time. So, the murrelet portion of that has since
5 expired and for murrelets, that means we need to do surveying on each one of
6 the timber sales that we propose each year, two years worth of surveys to see if
7 there's any murrelets using those stands. For the owl, we're continuing to
8 manage under that 1995 plan. And if you look at that plan, you know, the
9 landscape view of the forest, 55 percent of that forest was in 160-240 year
10 rotations, the green color up there. 45 percent was in 80-135 year rotations, the
11 light blue. And then overlaid on top of that are reserve areas, primarily for owls
12 and murrelets and then there's some steep areas that are too steep to harvest.
13 Those are also reserve areas and riparian management areas are reserve areas.
14 And under that plan, what we've been managing for the last ten years, about 460
15 acres of clear cut harvest, up to 500 acres of commercial thinning per year,
16 depending on what's available there. And so we've averaged over this last 10
17 years, 27 million board feet and about \$15 million gross revenue per year.

18 Some of the issues driving the plan, probably the biggest one is the
19 marbled murrelet, the fact that we don't have coverage for that anymore in the
20 HCP and I don't know if I mentioned, but about 25 percent of our sales that we
21 propose each year we find have marbled murrelet occupancy. So, what that
22 means, is that we continue to set aside more of the forest to protect those areas
23 that are being used by murrelets.

1 **SECRETARY BRADBURY:** Can I just interrupt you for a minute. You
2 said, with the ending of the Habitat Conservation Plan for marbled murrelets, you
3 have to do a survey on each proposed timber sale and I gather you have to do it
4 for two years?

5 **JIM YOUNG:** Yeah, two years of surveys for each sale.

6 **SECRETARY BRADBURY:** whatever you call them, early morning
7 surveys to see whether you actually spot any marbled murrelets.

8 **JIM YOUNG:** That's right.

9 **SECRETARY BRADBURY:** And if you had a habitat conservation plan,
10 what would the situation be?

11 **JIM YOUNG:** Well, the way the '95 plan worked, was there was a certain
12 amount of acres that we could harvest over that six-year period that were
13 considered murrelet habitat – potential murrelet habitat and it was rated, this
14 habitat was rated by different characteristics whether it was low, medium or high
15 possibility of murrelets being there. So, essentially we harvested the low before
16 we moved on to the medium. We had a certain amount of acres we could
17 harvest. The new plan would probably be something like that but not exactly like
18 that.

19 **SECRETARY BRADBURY:** But you could probably pretty safely say that
20 if you get a habitat conservation plan, you won't be having to do two years of
21 marbled murrelet surveys on every proposed timber sale before you do the
22 timber sale.

1 **JIM YOUNG:** Yeah. That's right. That's one of the advantages of habitat
2 conservation plans.

3 **SECRETARY BRADBURY:** Right. Right. Thank you.

4 **JIM YOUNG:** Okay, other issues. Coho salmon was listed. Of course
5 now it's proposed for delisting and there's supposed to be a decision of that in
6 December. We have a broader scientific base of knowledge and we have
7 research that we've done on the Elliott, specific to the Elliott for owls and
8 murrelets, so that's -- we've been using that in the planning process. And there's
9 other species at risk for listing in the future that -- who we'd like to get coverage
10 for.

11 **TREASURER EDWARDS:** Jim when did the coho get listed?

12 **JIM YOUNG:** In 2000, right in that area.

13 **TREASURER EDWARDS:** So, that's another variable when -- that we
14 didn't have in '95.

15 **JIM YOUNG:** Right.

16 **TREASURER EDWARDS:** Which is part of the HCP that we're putting
17 together for that species. So.

18 **JIM YOUNG:** That's correct.

19 **SECRETARY BRADBURY:** Can I ask another question following up on
20 what the Treasurer said. Would you expect major changes in your forest
21 management plan, based on whether the Coho is listed or not? Given that I
22 know a lot of your forestry plans have really -- in the Elliott, particularly, have
23 excellent riparian protection. Pretty much, sort of, not based on coho listings. So

1 would it be fair to say that there would be some, maybe marginal impact on the
2 forest management plan? I want you to tell me but I'm just sort of – my
3 assumption would be that – marginal impact on the overall management plan.

4 **JIM YOUNG:** Right now, we're proceeding with the planning process as if
5 the coho was listed, so strategies are designed with that in mind. But even if it is
6 delisted, I think we would use the same strategies in the new plan. So they
7 wouldn't – in my mind there wouldn't be any difference.

8 **MARVIN BROWN:** It – it is going to be an issue as we go forward with
9 the Habitat Conservation Plan because there's going to be folks that want to
10 question two things. One is what if the coho get delisted. Why are you doing all
11 this, so. In my thinking through it, it's still a good way to stabilize the
12 management future for property rather than be subject to the next change, you
13 know in views about endangered species and we've got some assurances. I
14 think it's still a good idea from that standpoint. The other thing that's going to
15 resurface as an issue when we go forward on this question is, well that's a lot
16 different than riparian measures that are in Forest Practices Act, so are you
17 telling us we need to change the Forest Practices Act? That's uh, that's one that
18 I think is probably more problematic for a lot of the folks, forest land owners, you
19 know, are you, are you putting us under pressure to change riparian
20 management practices some day by adopting those on this property? My – you
21 know, my view there is what we're adopting is what we've negotiated with NOAA
22 Fisheries. It's not what we would propose as a part of our regulatory, say
23 program, here in Oregon. It's what we're going to adopt in negotiations with a

1 federal agency. It's not going to satisfy them. They're still going to be concerned
2 that that will put pressure on the private landowners.

3 **SECRETARY BRADBURY:** That it would – that it's basically raising the
4 bar on the -- potentially on private landowners.

5 **MARVIN BROWN:** It will be an issue. It already is.

6 **SECRETARY BRADBURY:** Yeah.

7 **TREASURER EDWARDS:** I wonder is this an interest for us not to have
8 an HCP?

9 **MARVIN BROWN:** That's one of the primary reasons.

10 **GOVERNOR KULONGOSKI:** Marvin, assuming this – I have assumed
11 that this landscape doesn't sit in isolation from the rest of the public land
12 (UNINTELLIGIBLE), what impact will this have (UNINTELLIGIBLE)

13 **(tape 1 side 2) GOVERNOR KULONGOSKI:** There's a cause and effect
14 relationship -- if BLM raises the bar do we get raised?

15 **MARVIN BROWN:** I'll ask Jim to weigh in too because he's probably got
16 a better feel (UNINTELLIGIBLE)

17 **GOVERNOR KULONGOSKI:** Yeah, they lower it then we lower it that's
18 what the issue is.

19 **MARVIN BROWN:** I, you know my impression, at least on forest service,
20 their riparian standards are much more onerous than even the Elliott's are. The
21 BLM, I don't know about right off hand.

22 **JIM BROWN:** I believe they're the same.

1 **MARVIN BROWN:** That's the forest service? And those are substantially
2 more, and, and you know, not without a lot of scientific backing to say that that's
3 what is appropriate, but they are a lot higher.

4 **GOVERNOR KULONGOSKI:** If you find this (UNINTELLIGIBLE), and I'll
5 let Mike answer this maybe is that, I think Fish and Wildlife have already
6 submitted their analysis.

7 **SECRETARY BRADBURY:** According to Fish and wildlife?

8 **GOVERNOR KULONGOSKI:** Yes, to the NOAA Fisheries, and is there a
9 timeline on that release of what

10 **MARVIN BROWN:** We heard yesterday, about two months.

11 **GOVERNOR KULONGOSKI:** Two months?

12 **MARVIN BROWN:** Before the, the announcement is made on whether
13 coho will be listed.

14 **SECRETARY BRADBURY:** (UNINTELLIGIBLE)

15 **GOVERNOR KULONGOSKI:** Oh, okay, thanks.

16 **JIM YOUNG:** Okay. Moving on to the planning approach that we've been
17 taking throughout this process, it's what's called the multi-species habitat
18 conservation plan. We think that's going to provide the greatest long-term benefit
19 for the state. And one of the big things in my mind, at least, is this management
20 certainty with this habitat conservation plan. That would allow us to meet that
21 long-term, sustainable harvest of timber, regular harvest on a regular basis and
22 we would have coverage for the northern spotted owl, the murrelet and then a
23 number of other species that we're concerned about. And I'm not going to go

1 over this list but there's three listed species on there, the spotted owl, marbled
2 murrelet and the bald eagle, then the other species are species of concern that
3 we would like to get coverage for. The key strategy concepts in the plan; number
4 one is that sustained even flow harvest of timber to provide revenue to the
5 Common School Fund. And then looking at the landscape, we would have
6 conservation areas to protect the most important existing habitat and primarily
7 we're talking about owls and murrelets again that's similar to the 1995 plan,
8 similar strategy. Aquatic riparian strategies would be such that they would
9 provide properly functioning habitats and then one that's a bit different from the
10 '95 plan is forest habitat would be defined by the structural characteristics of the
11 forest rather than age, as was in the '95 plan. And by structure I mean the size
12 of trees, the amount of snags, down logs, multiple tree species, that type of thing.

13 **TREASURER EDWARDS:** Is that similar to what you're doing with the
14 Tillamook?

15 **JIM YOUNG:** It's similar but not quite the same because we, you know
16 we have these

17 **TREASURER EDWARDS:** (UNINTELLIGIBLE) different? Sorry. There's
18 that humor Monte was talking about.

19 **MARVIN BROWN:** That's how foresters think.

20 **JIM YOUNG:** Okay looking at these different types of structures in the
21 plan, this proposed plan, we've identified three different types of structure, early,
22 intermediate and advanced, and each one of those structures would have this
23 range that we would maintain the forest in over time. So we have advanced 40-

1 60 percent of the forest; intermediate 35-45; early 5-15 percent. And early
2 structure is open grown you know, young stand of seedlings, saplings. Until that
3 stand canopy closes in, then it sort of transitions into what we call the
4 intermediate structure and that might remain in that same structure for a number
5 of decades. There would be thinnings during that period and as it gets older and
6 develops these other characteristics of large trees, snags downed wood, it would
7 transition into advanced structure.

8 **TREASURER EDWARDS:** Could you apply years?

9 **JIM YOUNG:** Pardon me?

10 **TREASURER EDWARDS:** Could you apply years to those?

11 **JIM YOUNG:** Uh.

12 **TREASURER EDWARDS:** Up to 15 years?

13 **JIM YOUNG:** Yeah. Probably with the early structure we're talking about
14 15 or 20 years and then intermediate, you know, it could be, when that transitions
15 into advanced it could be as early as, say, 65, 75, 80, right in there, sort of
16 transition.

17 **SECRETARY BRADBURY:** Can I, Mr. Chair?

18 **GOVERNOR KULONGOSKI:** Yeah, go right ahead.

19 **SECRETARY BRADBURY:** Explain to me why you move away from age.
20 I understand, I mean this is really what you're really talking about, is this kind of
21 structure, but just, right away, it raises the question, well, how old is early, how
22 old is intermediate, how old is advanced? So, is it just that sometimes forests
23 grow differently and you don't want to be constrained by the age of the forest to

1 have what – where it is? You want to be relat – you want to be saying that this
2 structure is that kind of structure regardless of what age it was, this is what it is?

3 **JIM YOUNG:** Yeah. I think that's right. You know we have stands on the
4 Elliott where they are only say sixty years old and they have the type of structure
5 that we're looking for that owls and murrelets tend to favor.

6 **SECRETARY BRADBURY:** Would you call that advanced structure?

7 **JIM YOUNG:** Yes.

8 **SECRETARY BRADBURY:** Right.

9 **JIM YOUNG:** And then we also have stands that developed after that
10 1868 fire that are 120,130 years old and because of the sites or the way that they
11 were managed in fairly dense stands, they didn't develop that same kind of
12 structure. So the age doesn't necessarily make the difference.

13 **SECRETARY BRADBURY:** Got it. It's – okay. Got it.

14 (UNINTELLIGIBLE).

15 **GOVERNOR KULONGOSKI:** And to factor in what you just said, is -- a
16 lot of it is the management practices on that land will determine the size and the
17 use – because I went over on the Siuslaw and saw these different stands where
18 there was intensive management, some quite big, same age, but some of them,
19 because they were so close together they were just almost like poles.

20 **SECRETARY BRADBURY:** Good phone poles.

21 **GOVERNOR KULONGOSKI:** Yeah.

22 **TREASURER EDWARDS:** I had a question. In the previous slides you
23 showed the current structure you had 20 something percent of stands were old

1 growth and were actually in reserves, places that you couldn't also cut, I think
2 you described. So, in the transition, the structured base, given the advanced
3 structure, how do you – how do you overlay that structured approach versus the
4 age-based, which had the old growth on it? What happens to those stands? Are
5 they (UNINTELLIGIBLE)

6 **JIM YOUNG:** The reserves?

7 **TREASURER EDWARDS:** Is that the conservation area?

8 **JIM YOUNG:** Yeah.

9 **TREASURER EDWARDS:** (UNINTELLIGIBLE)

10 **JIM YOUNG:** Yeah. The reserves, what we call reserves in a '95 plan for
11 owls and murrelets, we're calling – now calling those conservation areas but
12 they're not – not necessarily exactly the same areas because we know more
13 about the areas that are being used by them. Could you repeat your question?

14 **MARVIN BROWN:** It's how are we going to transition from two places
15 that used to be in reserve that are not any more and visa versa?

16 **TREASURER EDWARDS:** Right. One of the large trees, that I would
17 assume is part of that. I mean there's really some old stands in there.

18 **JIM YOUNG:** Well, you know, some of the – those conservation areas
19 would just remain in place for the term of the plan, the new plan, no change from
20 the old one. But there are some that are located a little bit differently and
21 anything that doesn't end up being in a conservation area would be managed
22 eventually. Some of that would be kept as advanced structure in the near term
23 but over the long term those stands outside conservation areas could be

1 harvested and managed. That will change on the landscape where those are
2 located.

3 **TREASURER EDWARDS:** Gotcha. One basic question, how long – will
4 you assume we'll get the HCP? How long is it for, 50 years?

5 **JIM YOUNG:** Right now, we're planning on 50 years.

6 **TREASURER EDWARDS:** Is that, is that the standard? Don't they do
7 something longer, given the structure, that's short of your structure?

8 **JIM BROWN:** Yeah, you can, I think 50, you know, that's sort of typical
9 range for that type of thing. The last one, the '95 one we had for the owl, was for
10 60 years.

11 **TREASURER EDWARDS:** We have you had any discussion about trying
12 to make it longer? I don't – I mean I don't know if that's even possible to achieve.

13 **MARVIN BROWN:** I don't know that it gains much advantage. Really the
14 thing that I hope we did differently this time from the last one is, build in a more
15 rigorous way to incorporate new science and new understanding because that's
16 one of the things that we're getting into with the old HCP. We're learning a lot
17 more about owls and murrelets, but we don't have quite the flexibility to
18 incorporate that into a better strategy. So, I – I don't think going past 50 offers a
19 big advantage, but I think trying to negotiate more interjection of science and the
20 ability to adjust and make new decisions within that 50 years to pay for it.

21 **TREASURER EDWARDS:** My feeling was just certainty.

22 **MARVIN BROWN:** Certainty. I understand.

1 **TREASURER EDWARDS:** (UNINTELLIGIBLE) well '95 2000 offset we
2 had? That expired and our whole plan sort of changed or it had been changed.

3 **MARVIN BROWN:** We can certainly ask.

4 **TREASURER EDWARDS:** I just, I'm just, I

5 **MARVIN BROWN:** You know however

6 **TREASURER EDWARDS:** It may be -- It may have high enough hurdle
7 as it is, but I was just wondering if it made any sense from our sitting at this point,
8 it certainly helps us in managing obviously, and then, you know, we take this fund
9 and our fiduciary duty is a long-term perspective. I just -- 50 years is long. I don't
10 know if we'll all be here standing, but the point is that, you know, your advanced
11 structure is way beyond that (UNINTELLIGIBLE). I guess I just didn't know how
12 you, if you -- if that's reasonable to ask for something longer?

13 **MARVIN BROWN:** We can certainly

14 **JIM YOUNG:** Yeah. We can ask.

15 **TREASURER EDWARDS:** I'm speaking or myself. I have no idea if this
16 makes any sense to the rest of my members here (UNINTELLIGIBLE).

17 **MARVIN BROWN:** If I were guessing, I would say it would make it easier
18 to negotiate with the services, actually.

19 **SECRETARY BRADBURY:** What, longer would?

20 **MARVIN BROWN:** Yeah. Well, we can explore it, be happy to.

21 **JIM YOUNG:** So, just looking at a map of the forest with this proposed
22 strategy in place, you can see the forest is divided up into these different
23 management basins up there. There's 13 of them based on watersheds and the

1 percentages that you see in each one of those basins is the target amount for
2 that basin for advanced structure. So when you total up all those basins, the
3 amount of advanced structure ends up being within that range of 40-60 percent
4 forest-wide advanced structure.

5 The yellow areas up there are conservation areas, primarily owls and
6 murrelets. The dark green are steep areas for the most part that – too steep to
7 manage and there are some – some of the smaller dark green areas are scenic
8 so those are in there. And then the thing that you don't see on here are the
9 riparian management areas, those are also conservation areas.

10 **SECRETARY BRADBURY:** Don't the riparian managed areas tend to be
11 much more strips follow streams that

12 **JIM YOUNG:** Exactly.

13 **SECRETARY BRADBURY:** you know, have a greater width than the
14 forest practice act says, but I mean that's what you did, you just had a little tiny
15 (UNINTELLIGIBLE) on (UNINTELLIGIBLE).

16 **JIM YOUNG:** The scale was kind of small for that.

17 Kind of switching gears here a little bit. We have been modeling
18 throughout this whole process, you know, with Dr. John Sessions at OSU and
19 using that spatial modeling that he has developed. And we've had a number of
20 different managing scenarios that we've modeled. And we've brought forth, you
21 know, to this point, these four that we're still looking at in modeling and they're
22 primarily just to have a comparison of the proposed strategy. The one on the left,
23 it's called combined reserves and intensive forestry. And what that is about half

1 the forest would be in reserves and then the other half would be intensively
2 managed on a very short rotation. The one that says owl HCP up there is the
3 way that we're managing today, with the '95 owl HCP and the take avoidance for
4 the murrelet. The proposed strategy is the one that I just briefly described to you
5 and then the wood emphasis is the one where the owl and murrelet areas were
6 significantly smaller than what is in the proposed plan and the rest of the forest in
7 intensively managed.

8 So, we have several types of outputs that we can look at and this one is
9 the – the volume. The bottom axis there is decades, so zero is today. The
10 vertical axis is million board feet per year for that decade and you can see that
11 the owl HCP is the lowest, the 1995 owl HCP with take avoidance for murrelet.
12 The wood emphasis is the highest. It's up there at 55 million board feet per year.
13 Then the proposed strategy and the combined reserves, intensive forestry is
14 somewhere in the middle there and this one the proposed strategy is showing
15 about 40 million. And the thing to remember about his model is that what's good
16 for comparative purposes doesn't necessarily predict the exact number for
17 harvest.

18 **TREASURER EDWARDS:** Why do you use ten decades or under 100
19 years, if you will. Is that just the way the model works?

20 **JIM BROWN:** Well, you know for forestry, you know like finance, it's a
21 long-term proposition. So it's good to look out there for a long period of time to
22 see, you know, how the forest behaves out into the future.

23 **TREASURER EDWARDS:** I mean is that standard?

1 **JIM YOUNG:** It is typical for Forestry to take a long view of that. Another
2 reason is the model. For it to run and run properly, it needs to have a long-term
3 view because it's trying to reach these goals out there. If it has too short of a
4 view then that effects what the model does towards the ends, and it starts doing
5 some sort of odd things. So you need to make it longer than what period you're
6 interested in.

7 **MARVIN BROWN:** Yeah. What a – you know over time, you want so
8 much of the land in advanced structure and so much in medium and so much in
9 early and then those specific pieces of ground are going to change every year.
10 You know, you'll have some stuff grow up into older structure and when it does,
11 then you'll harvest the older structure, but it can take a long time for the model to
12 actually come to a point where that's a stable event--up until maybe 50 years or
13 more, a lot of times it's still trying to – trying to make that happen so that you're at
14 a stable spot every year.

15 **TREASURER EDWARDS:** Just because when we model the assets, I
16 mean, you know, when you look five years, that's about as long as you can get
17 because of the variables become so great that you can't predict but I assume
18 what you're suggesting for the forest model, given things take a long time to
19 grow, that's why it's reasonable to assume 100 years.

20 **MARVIN BROWN:** And because you're, you know, like I said, it's driven
21 by what you want the land to look like and it doesn't look.

22 **TREASURER EDWARDS:** Right.

1 **MARVIN BROWN:** and it doesn't look at all like that now, so getting it to
2 look like that, takes a long time and maybe in 50, 60 years you have to run this
3 model and harvest stands and leave them and do all this stuff until you get to the
4 point where, 'alright, it's going to look like that from now on'. That could take a
5 long time. On the Tillamook it's more like 90 years because it's all a big burn, it's
6 all about the same age.

7 **SECRETARY BRADBURY:** Yeah.

8 **JIM YOUNG:** Just to provide some context for the harvest level. You can
9 see, I've got the 1970-1980 there on the left. Harvest level on the Elliott was
10 about 56 million. They average that per year, '80-'90, about 41 million per year.
11 And then once the owl was listed it had a huge effect on what was available for
12 harvest on the Elliott and some of those years had actually dropped below 10
13 million board feet, so harvest is much lower there and when that '95 plan was
14 developed and adopted, you know getting it back up to 27 million board feet
15 looked a lot better than where it was in the early 90s. So it was a big
16 improvement. And the proposed, you can see, you know, roughly, where that
17 might fall, about 40 million.

18 **TREASURER EDWARDS:** If you went back in time and looked past the
19 50 plus million board feet they had, what were we harvesting? Go back 10 years
20 beyond that.

21 **JIM YOUNG:** Probably, it was probably similar to that in the 60s. One of
22 the things that happened then was that Columbus Day wind storm and there was
23 quite a bit of volume that was harvested during the 60s because of that.

1 **TREASURER EDWARDS:** Well aren't they going to count that? Is that a
2 variable 100-year protection?

3 **JIM YOUNG:** No it's not.

4 **TREASURER EDWARDS:** Spike?

5 **JIM YOUNG:** Looking at the revenue, you know, as you expect, the '95
6 owl HCP produces the least amount revenue, the wood emphasis the most. And
7 then the other two were in the middle, the combined reserves and intensive
8 forestry, a little bit higher there in the beginning because there's more harvesting
9 taking place under that scenario in that first decade.

10 **TREASURER EDWARDS:** Although

11 **SECRETARY BRADBURY:** Can you backtrack for a minute? So, we
12 were looking at a chart of harvest yield a minute ago, it was kind of like this. But
13 it showed wood emphasis pretty much as a straight line which, pretty much

14 **JIM YOUNG:** The proposals.

15 **SECRETARY BRADBURY:** I mean the wood emphasis proposal. It's
16 pretty much a straight line, but it shows – if you look at wood emphasis here, it
17 shows the revenue declining, so I'm trying to understand that.

18 **JIM YOUNG:** I think what that is, you know, more harvest at the
19 beginning for one thing and the size of timber.

20 **SECRETARY BRADBURY:** Okay, so it's higher value timber because
21 you're basically harvesting – on the wood emphasis, you would be harvesting a
22 lot of really old – what we might call old growth timber?

23 **JIM YOUNG:** Well, older stands, yeah.

1 **SECRETARY BRADBURY:** Old, yeah, that's why I said it might call old
2 growth.

3 **JIM YOUNG:** And there's more harvest to (UNINTELLIGIBLE). So – so if
4 you look at the net present value, all the future revenue costs brought back to the
5 beginning, brought back to today, the owl HCP has the least, net present value,
6 the wood emphasis, the most, you know. It's exactly what you'd expect from
7 looking at this volume charts and revenue charts. Proposed strategy and the
8 combined reserves fall in the middle of those two and I put -- the proposed
9 strategy, I put net present value up there for 40 million board foot – annual board
10 foot harvest level and a 45, just to see what that would be like if we could get up
11 to that 45 million board foot level per year. So, volume and revenue is one part
12 of the picture, the other part is the habitat. And if you look at the amount of the
13 advanced structure, the wood emphasis model is of course going to produce the
14 least amount of advanced structure, the owl HCP the most and then, again, the
15 other two fall in the middle.

16 One of the things to notice, on the green, the proposed strategy, is that's
17 the only one that stays within that 40-60 percent advanced structure range. All
18 the other ones, you know, go outside for a period of time, that one stays within
19 that range. And in the early structure, these are the young stands, '95 owl HCP
20 would have the least, wood emphasis the most and then the other two, again, in
21 the middle. The proposed strategy ends up averaging about 10 percent each
22 year, or each decade.

1 Uh, going on to the key planning elements, where we're at in the process,
2 you know, we've done watershed analysis for the whole forest. That was done in
3 2003. We're using that in the planning process. We did a scientific peer review
4 on the strategies. We've held a number of public meetings throughout the
5 process and we've done the harvest modeling throughout the process. We have
6 a draft, what I would call, basically a final draft Forest Management Plan. Initial
7 draft of the Habitat Conservation Plan and those are out for the public to review
8 right now. And then the Environmental Impact Statement; we've been working
9 with the contractor to develop that over the last year. And one other thing, the
10 first step in the NEPA process, you know, eventually, actually developing this
11 environmental impact statement, is to hold scoping meetings, and we did that in
12 May in Coos Bay, Roseburg and Salem. And just a summary of some of the
13 issues that people have raised, they want to make sure that we have a clear
14 purpose and need stated in the HCP. They wanted us to evaluate a range of
15 management and conservation opportunities. They wanted us to identify all the
16 covered activities that would be in the HCP. They're interested in management
17 of riparian areas. They wanted us to consider socio-economic concerns and one
18 of the ones that was especially mentioned was producing revenue for the
19 Common School Fund. They want us to use the best science in the process and
20 then they are also interested in how all the strategies might affect fire
21 management practices.

22 Okay. Just the timeline, you know, we've developed the draft forest
23 management plan and an initial draft of habitat conservation plan, working on the

1 EIS. We had public meetings just this last month in Coos Bay and Roseburg on
2 the

3 **TREASURER EDWARDS:** How did those go?

4 **JIM YOUNG:** on the Forest Management Plan. It went pretty good. We
5 heard a lot of the same comments that we've been hearing. You know, there's
6 people that want us to cut less, there's people that want us to cut more.

7 **SECRETARY BRADBURY:** Oh I'm shocked.

8 **TREASURER EDWARDS:** By whom?

9 **JIM YOUNG:** There's also a group in the middle that is interested in
10 balanced management. So, I thought that was actually good. So, we're
11 (UNINTELLIGIBLE) the process. You know, we want to go to the Board of
12 Forestry in January and ask them to approve the Forest Management Plan,
13 contingent upon being successful with this HCP process, which is going to
14 extend another year out into the future, come back to the Land Board in February
15 and ask for your approval of the Forest Management Plan, based on successful
16 completion of the Habitat Conservation Plan.

17 Also, in the spring of next year we would have the final draft of the HCP
18 completed, we would have the draft Environmental Impact Statement that would
19 be out for public review. In the summer the final Environmental Impact
20 Statement would be developed. About that same time a ten-year implementation
21 plan for the Forest Management Plan would be in process and we would be
22 looking for approval for that. In the fall of next year, the biological opinion and
23 the record of decision by the federal services and then the decision by the federal

1 services on whether to issue the incidental take permit would be, first, end of next
2 year or maybe early part of '07.

3 **SECRETARY BRADBURY:** Mr. Chair.

4 **GOVERNOR KULONGOSKI:** Yes.

5 **SECRETARY BRADBURY:** Just explain to me the relationship between
6 Habitat Conservation Plan and Incidental Take Permit. I sort of assumed that
7 you got habitat conservation plan and that included the Incidental Take Permit, or
8 is that what you're saying?

9 **JIM YOUNG:** Yeah. That would be the end result, you know, the Habitat
10 Conservation Plan, the plan that the services would have to basically agree to,
11 but then the document that you're really looking for is this Incidental Take Permit,
12 which allows you to do your regular forest management activities and incidentally
13 take some habitat used by those species.

14 **TREASURER EDWARDS:** Just so – just a couple things, uh. So, when
15 you look back on your charts one of the things that – assuming you get through
16 this, the ability to harvest at the level, so if one was consistency in seeing this
17 plan would roughly generate 40 million over the next 100 years, 40 million board
18 feet, barring changes, but that's an average and then you see fairly consistent
19 revenues off that (UNINTELLIGIBLE) price on (UNINTELLIGIBLE) but that's um,
20 was that – I guess I'm looking at my Board members, I mean – there's something
21 about that that seems very appealing to me because again, if you go back in time
22 there was a pretty big change and disruption (UNINTELLIGIBLE) approaches,
23 which is admittedly, it was in many ways very beneficial, but maybe not to the

1 Common School Fund. But we've learned about this land and we keep talking
2 about, it's not only about the trees, it's about long-term value of this. Is that
3 something, when you look at all the other options that we were confronted, I
4 mean, is one of the main drivers for us as a Land Board, is as much consistency
5 that you can build in this because again, we'll all be gone in a matter of time and
6 which case, does that really help the next Land Board and the next one. Is this
7 something that we can sort of say, hey, we've done the best we can, we've got
8 something here that's long-term beneficial to the Common School Fund and to
9 the public, and we hope that things have changed and science can change, etc.
10 But for the most part, we are really doing the best we can given what we know
11 and there's some consistency and continuity here because, again, I don't know,
12 the next Land Board will then say, well we want to go to some other plan, which, I
13 mean you can't turn on a dime, but I -- we're setting something in motion here. I
14 see as the long term. I'm looking (UNINTELLIGIBLE) of my colleagues to say,
15 yeah, this is a perfect decision that we've already moved down the path. Are we
16 getting those consistencies and can we stand up to the public in the end we
17 might -- people will have different opinions about this, but I think -- but are we at a
18 point where we can say this is the best we can -- the best science, the best
19 interest in the Common School Fund, the schools in the state and in enhancing
20 the value as best as we can understand it.

21 **MARVIN BROWN:** I think the thing I would add to that is and we're
22 managing the risk of uncertainty in a pretty responsible way with this approach
23 because you can take, we can take another tact and say that we're going to go a

1 much more risky approach to take avoidance on endangered species and a
2 much more aggressive approach on timber management but that does elevate
3 the risk of, you know, the federal services coming in and finding that we've gone
4 too far, take us to court, and shutting things way down. But over the short term
5 you could assume that level of risk and there would probably be more timber
6 come off, but I think that's the piece I would add to your rationale is we're really
7 managing the risk of uncertainty pretty effectively at this point.

8 **TREASURER EDWARDS:** You mean it seemed that, as Inga was
9 pointing out, there's revenue on the volume chart record, things go like this and
10 then they kind of glide down. Maybe that was the (UNINTELLIGIBLE) chart, but
11 what would prevent the – I guess it wouldn't be anything from the Land Board 10
12 or 20 years from now, they could say, 'well we don't like this glide path, we're
13 going to take something else' and then again, I guess that's the freedom the
14 Land Board in the future would have. Is that right?

15 **MARVIN BROWN:** Well, the risk here is similar on the other side is if you
16 enter a – if you agree to an incidental take permit and want to get out of it there
17 will be a negotiation of the services on the mitigation they would expect to get.
18 And nobody's ever done that in the past. Uh, you know, Mason Bruce and Girard
19 tried to come up with a number of, they said alright, if somebody bought the
20 Elliott and wanted to get out of the current owl HCP, how much would it cost
21 them and, you know their best guess was \$10 million, but nobody's -- there's no
22 history to draw on there, but that's the other side of the risk, is if you do want to

1 get out of it you've got to negotiate with the federal government on what that's
2 going to cost.

3 **GOVERNOR KULONGOSKI:** What you're just saying in answer to
4 Randall's question is that there are some costs built into the adoption of this plan
5 and his question is how – and really how I interpret it is how easy is it that
6 somebody, some future Land Board can put enough pressure on and say 'we're
7 going to change plans' and what you're saying back to us is that there are certain
8 factors built into this that make that very difficult to do. Isn't that what you're ?

9 **MARVIN BROWN:** Yes. It would be. It would be. I mean that's what
10 we're basically doing right now. We're saying, we want to, we want to negate the
11 current Incidental Take Permit and go for a new one, but hopefully we've learned
12 a lot. It's going to be one that covers a lot more species, a lot more potentials of
13 what could crop up in the future. Like I said, it's going to build in more regular
14 review of the science. It's also some flexibility that way, but yeah, it – I think
15 when you sign, as soon as we get to this point and sign the Incidental Take
16 Permit, it's going have some pretty good stability and pretty good management
17 risk for the long term.

18 **SECRETARY BRADBURY:** I think Randall pretty much answered the
19 question I had, but just, you can go back to those charts and show yield and it's
20 real clear that an intensive timber, whatever you're calling intensive timber, which
21 I assume is within forest practices, not necessarily focusing on a lot of protection
22 of species, but within forest practices. Uh, yields a whole, a fairly significant
23 amount more money, so from my standpoint I have to think about it from the

1 responsibility I have to the Common School Fund and what I just – I think – I’m
2 just going to ask you, what would your argument be in favor of, say what the risks
3 are of the intensive timber and what would you say the benefits are of the lower
4 dollar yield, but the management plan you’re, basically your preferred option.

5 And I think you already said this, but I was

6 **MARVIN BROWN:** Yeah. I think the risk of say taking a more intensive
7 timber management approach is that we’re a lot more heavily scrutinized than

8 **SECRETARY BRADBURY:** Yeah.

9 **MARVIN BROWN:** an intensive management organization. So the
10 opportunities for people to come out there and say, well you know you just
11 destroyed some owl habitat, you just destroyed some murrelet -- marbled
12 murrelet habitat. Even though within whatever approach – you know we may be
13 within a forest practices act, we may be within protocols we established, but that
14 could happen and if it does happen, then the federal government would take us
15 to court. They could find us in violation of the Endangered Species Act. You
16 know we could end up having to negotiate something that we don’t like in order
17 to keep from having a very bad result. You know those are the risks that I think
18 you assume and by having this lower level of output that’s stable over time, I
19 think that’s what you’re doing is managing that risk as well as something new
20 coming up in the way of – in the line of endangered species.

21 **TREASURER EDWARDS:** To me that has a great amount of appeal.
22 And I – sitting here as a Land Board member with the Common School Fund
23 looking at something that’s going to continue to put out revenue to schools

1 across the state, is that an argument I think you made – is that an argument for
2 why we – to the feds to why this is important for us to have? I mean stability,
3 consistency, some flexibility but we have a – we're dif – we're different. At least I
4 see that and our mandates differ and therefore as much as we can build this into
5 this asset, it seems like that's a strong idea.

6 **MARVIN BROWN:** Yeah, I think our hard-nosed argument to the federal
7 government is that if we can't get this at a reasonable level of revenue return,
8 then we've got to do something better for the Common School Fund. We may
9 have to sell this and who know what's going to happen there. I mean that's – I
10 know nobody wants to do that but if you – if they don't understand that you do
11 have a pretty strong financial responsibility that you've got to meet and if you
12 can't meet it this way you've got to look at other alternatives. Then they're going
13 to be much more difficult to negotiate with.

14 **TREASURER EDWARDS:** Again I think our goal has always been, you
15 know, this has been something that's been very valuable to the Common School
16 Fund and continues to be a very important part of the revenue stream and that
17 argument as a fiduciary which is a different standard, if you will, and it's a
18 constitutional standard which we have this trust and in this case, it's the Common
19 School Fund, seems like that would be a pretty strong argument to make.

20 **MARVIN BROWN:** But they got to know you're serious about it.

21 **TREASURER EDWARDS:** Yeah. Our lawyers will make it serious.

22 **GOVERNOR KULONGOSKI:** Thank you both.

23 **MARVIN BROWN:** That's it. Thanks.

1 **TREASURER EDWARDS:** Thanks.

2 **SECRETARY BRADBURY:** Mr. Chair, just a comment. I just – obviously
3 the Elliott State Forest is my home forest, from where I came from. I just want to
4 say that I have been so – I’ve said this before but I want to say it again. I am so
5 impressed with the way I’ve been out in the field on the Elliott State Forest on a
6 number of watershed projects and I just really appreciate the management that
7 takes place on the Elliott State Forest. I think it is really -- it’s just really great and
8 I just want to, I just always feel moved to say that when we’ve talked for a long
9 time about the Elliott. I just really feel like it’s a model for – we should be very
10 proud of this forest and what we’re seeing our state foresters do with the Elliott
11 because it’s really a model.

12 **MARVIN BROWN:** Thank you.

13 **GOVERNOR KULONGOSKI:** Thank you.

14 Tape 2, side 1

15 **DIRECTOR HANUS:** I’d like to add that Department of Forestry will be
16 back in – at your December Land Board meeting. They’ll report on the results of
17 the public comments and (UNINTELLIGIBLE) progress they made and then we’ll
18 be back again for your consideration of the Forest Management Plan at the
19 February meeting.

20 We’re going to turn now to other property management activities that
21 Department of State Lands is involved with and with me today is Steve Purchase
22 who is the Assistant Director in charge of the Land Management Division. And
23 I’d also like to announce that our recent land sale that you authorized us to go

1 forward with, the six isolated parcels in Wheeler County yielded 21 percent over
2 the minimum bid and brought in \$111,000. So with that I'll turn it over to Steve to
3 go through the management report quickly.

4 **STEVE PURCHASE:** Good morning members of the Board. Steve
5 Purchase, Assistant Director for the Land Management Division and if Monte has
6 trained me properly we're going flip through this demonstration pretty quickly.
7 We'll see if this works. First thing I want to bring to your attention is our land
8 asset management classes. I think most of you remember the 1994 Asset
9 Management Plan, which was our first effort in trying to identify the different
10 classes of properties that we have. On the screen is a break down of all those
11 classes of land and – by the number of acres. What's not shown here is that we
12 also manage, in addition to this 2.3 million acres that you see on the screen here,
13 another 2.1 million acres, roughly of mineral rights owned by other state
14 agencies. So we have about four million acres that we manage any given year.

15 Revenues: \$22.9 million revenue in the last fiscal year, largest source,
16 was of course was the timber, timber being about 83 percent of our total revenue.
17 Second largest revenue is from waterway leasing. That's about 1.4 million,
18 accounts for about 6.2 percent. Expenditures about \$6.6 million to do all that.
19 That includes the forestry expenses. A little further breakdown of other revenue
20 sources that we typically get in our year: tenants occupying our building all the
21 way through sand and gravel, forage, mineral leases, easements, agriculture
22 uses, dock registrations, oil and gas and communication sites. Broken down by
23 revenue total and percent of our total income. What is not on here is we've also

1 had some sales of land, as Ann indicated earlier. During the last fiscal year we
2 sold 281,591 parcels of land, 1,560 acres during that time and about \$1,850
3 worth of mineral rights. So those are not reflected in there because they are
4 fairly small numbers.

5 Land sales, as we mentioned earlier, these are the ones that we did sell
6 during the last fiscal year. Uh, we have looked at 17 parcels of land, we have
7 sold 5 during the fiscal year, but we've also now sold 12 all total in the last year
8 and a half. So we'll bring those to you for final approval in December.

9 What did we actually do during this last year? We issued 784
10 authorizations, 354 of those were brand new leases. Those were for people who
11 had not were unauthorized uses on our state lands, anywhere from rangelands to
12 communication site leases to dock registrations, to any number of things that we
13 worked on. The remaining 430 that were completed during the year were
14 renewals. These were existing leases that were simply up for renewal; dock
15 registrations were up for renewal as well. Some of the other things that we did
16 during this year: our major focus during this last year has been trying to get our
17 waterway uses under control; I guess is the best way to put it. We have a
18 performance measure that says how many – what percent of users on our state
19 lands are paying the appropriate fee. Back in the mid-1990s, as most of you
20 remember we went through a very extensive waterway leasing inventory. We're
21 using that inventory to judge against how many structures out on the waterways
22 are actually paying the appropriate fees. What we found is quite a few of the
23 structures on the waterways are simply the small dock registrations. They're not

1 the large industrial waterway leases. Most of those are really under lease. But
2 as we've been going through and spending our time and trying to get all that
3 caught up, the majority of time 1,539 registrations that – to date, 690 of them
4 were dealt with last year, so that's a pretty "largeable" issue. One of the other
5 things that we're also finding out is as we redo these inventories is that the
6 structures that are being placed on today's waterways are not being noticed to
7 the state. We're not getting noticed that local government has authorized the
8 structure. So we're working with each of the coastal counties to get their public
9 codes, building codes people to give us notice, give us information when they
10 authorize a structure, so we can keep up with those inventories as well. We've
11 also continued to uh -- to work on what I call the day-to-day lease administration
12 – lease administrations of all of our authorizations. You can look on Appendix A
13 to get a sense of the total active leases or easements that we have on our state
14 property, 2,734. As you can imagine the day-to-day lease administration of those
15 functions takes a considerable amount of staff time as well. One of the other
16 things that we were working on a lot during this last year is resolving conflicts
17 between adjacent landowners or neighbors on all of our authorizations, whether
18 it's a dock registration who happens to be in front of someone's upland property
19 or dealing with good neighbor issues. Waterway lease boundaries particularly
20 are becoming a fairly large issue for us to deal with as well. Resolving public use
21 conflicts – probably don't have to tell the Board but, you know, the public use on
22 the state's waterways is becoming a major issue and we're trying to deal with

1 those public use conflicts to the best of our abilities we can, but keep everything
2 going.

3 Last year we've also revisited all of our asset management land
4 classifications and reclassified some lands. One of the things that I showed in that
5 first slide was that we have reclassified some of our industrial/commercial/
6 residential lands to reflect what we're actually doing with those. I talked earlier
7 about the waterway leasing inventory. We are redoing the inventories as we go
8 through each of the major waterways. We had staff out in eastern Oregon last –
9 last month, were doing the Klamath Lake, for example; first time that we've done
10 that inventory and we're also working with local governments to redo the
11 inventories on the waterways.

12 I know we haven't heard much about this last topic, in-lieu land selections.
13 I have taken a lot of time over the last year or two

14 **SECRETARY BRADBURY:** Oh, nothing at all.

15 **STEVE PURCHASE:** to work on it and staff – a lot of staff has spent a lot
16 of time looking at those in-lieu land selections as we try to focus on getting those
17 completed as well.

18 Future management actions; what are we going to do over the next year?
19 I've kind of broke them down into each of the land classes of rangelands, you
20 know we got to try to take care of our noxious weeds. We're very fortunate to get
21 some additional money from the state legislature to be able to do that. We were
22 gong to continue our rangeland condition surveys. Very pleased to report that
23 we've done about 30,000 acres of rangeland condition surveys this year. That's

1 about 144,000 total. We've got three temporary people who do that work for us
2 and they've been very busy out on the ground actually doing on-the-ground
3 inventories. We've continued – we'll continue to evaluate the parcels of land
4 from land sales. We hope to complete the grazing fee advisory committee in
5 review of the lease and we're anticipating giving a report to the Director probably
6 within the next month or so. We're going to complete revisions to our rangeland
7 management plans. One of the benefits of doing the range condition surveys
8 gives us a really good idea of what's on the ground, what the carrying capacity of
9 the ground is and then we can adjust the rangeland conditions and forage to
10 meet those needs.

11 We're also going to be looking at rehabilitating rangelands that have been
12 burned by wildfires. We've had a couple of fires on our state lands this year,
13 fortunately nothing of major significance, but we do have some – we have work
14 that has to be done. One of the things that we've discovered over the years, if
15 we don't really jump on top of that rangeland rehab, the land becomes infected
16 with noxious weeds and with cheat grass very quickly and will limited our ability
17 to get some good forage. So we want to be focused on that as well.

18 Industrial/commercial/residential lands. We continue, of course obviously,
19 long-term maintenance of this building as one of our primary industrial/
20 commercial lands. We're pursuing the master development plan for the Steven's
21 Road Tract. Many of you remember the Stevens Road, sometimes referred to as
22 Section 11, is an in-lieu selection that we did about eight years ago. It was
23 equally as controversial as some of the selections that we have to date. We're

1 actually doing a master plan development at the request of the city of Bend to
2 bring that property inside the urban growth boundary, so we're – we're very close
3 to working on that. We're having a design (UNINTELLIGIBLE) over the next
4 month with local governments to figure out what use that land would work on
5 within the area.

6 We also want to complete some of the in-lieu land selections. I think you
7 all know that the record decision on the Upper Deschutes plan was made on
8 September 28. As the record decision was made, the BLM is going to move
9 forward to transfer title of the 1,100 acres of our in-lieu lands selections to us,
10 probably over the next 1 – 1 ½ years. So we'll be working and focusing on trying
11 to get that – title to those properties completed. The next effort will be to try to
12 work on planning efforts and trying to secure the rest of them.

13 Waterways: Portland Harbor cleanup is certainly taking a lot of our staff
14 time. We have about 69 known sites within Portland Harbor that we're currently
15 active on, I guess is the best way to put it. We are issuing access agreements,
16 easements and leases to try to facilitate the cleanup of those areas that need to
17 be cleaned up. We're also going to be looking at the placement and sales of
18 Columbia River dredge spoils, channel deepening, if it should go forward, will
19 certainly impact some of our state lands because a lot of those lands have been
20 authorized for dredge spoil sites.

21 We're going to continue to try to bring unauthorized users under lease,
22 registration, license or easement, particularly on the waterways. That is a

1 commitment that we've made, not only to ourselves, but also to the legislature,
2 trying to get a lot of those issues resolved.

3 We're going to continue to try to do some recreational user conflicts with
4 adjacent waterway property owners. This Thursday we're meeting with some
5 folks upon the Sandy River to talk about active recreational concerns that they
6 have and conflicts that they're having with waterway users, so we're going to try
7 and work with those.

8 We're going to work with other agencies and public to manage public
9 misbehavior. We've identified State Parks is going to help us out with some
10 those things so we'll be working with them as well.

11 **TREASURER EDWARDS:** I was going to ask, do we have – have we
12 ever thought about how bringing a management plan on rivers we determine
13 navigable or is that just a hit and miss depending on if there is a squeaky wheel
14 or something's happening or it's just that point of conflict?

15 **STEVE PURCHASE:** Mr. Treasurer, member of the Board, we have
16 thought about that, we've actually applied for a Bureau of Land Management
17 grant to help us do some planning on the Sandy River. Most of the waterways
18 that we have been involved in, the major waterways, already have Bureau of
19 Land Management Plan with – associated with those lanes and we have
20 participated in that; John Day River being a very good example. Bureau of Land
21 Management and DSL working in cooperation with State Parks to try to develop
22 that plan as well. Currently we do not have a waterway planner on staff and
23 that's going to be one of the things I'm going to probably present to Ann for our

1 next budget is, if we are going to resolve long-term conflicts and uses on our
2 state waterways, we're going to have to get involved in planning arena and going
3 to have a much better job than we currently have.

4 **TREASURER EDWARDS:** Thank you.

5 **STEVE PURCHASE:** Forestlands, as you heard from Marvin and Jim,
6 we're going to continue – we've completed the Elliott Cost Benefit Study. We're
7 going to try to complete the forest management plan for the Elliott State Forest
8 and the Habitat Conservation Plan and having spent the last several months
9 working with Forestry people, I can tell that they're very professional, they really
10 care about the landscape and are certainly stewards of the land. It's been my
11 pleasure to be involved in that process and I've really enjoyed that.

12 We're also going to look at some scattered tracks for potential sale. We
13 have a number of forestlands that are not certified before Forestry for
14 management that we think we need to look at under the Asset Management
15 Plan. We're also going to be implementing a work plan associated with the
16 recent forage management agreement that we put together and presented to the
17 Board.

18 So other things that we're going to be working on is completing the Asset
19 Management Plan revision, which we hope to bring to you next year for your
20 approval. Improving revenue expenditure accounting by asset class. I think
21 most of you know that a couple years ago we received instruction from the
22 legislature to kind of come up with a new budget structure that more clearly

1 identifies expenditures and revenues and tracts those quarterly, so we're going to
2 be working on trying to get that implemented and get that going as well.

3 We're anticipating three pretty major administrative rulemaking; sand and
4 gravel from state-owned waterways, special uses on our state-owned trust and
5 non-trust lands and easements. Some of those received some legislative
6 attention during the last session. We need to update those rules, plus we just
7 need to update those rules and we're going to be spending some time preparing
8 for that and bringing it back to the Board for their review. And I think that's it.
9 Are there any questions?

10 **DIRECTOR HANUS:** As you can see, staff has been really busy over the
11 last year and I'm really proud of what they've accomplished and we certainly
12 have a lot on our plates in the upcoming year. I know time is short so I'm going
13 to go quickly through the remaining agenda items.

14 For number five on the Customer Service Survey Results. Governor, in a
15 speech you recently mentioned comments that we received – excellent comment
16 from Lowes'.

17 **GOVERNOR KULONGOSKI:** Yeah. I remember.

18 **DIRECTOR HANUS:** That was directly attributed to the Removal-Fill
19 Program and the permitting that we assisted on that as part of the Economic
20 Revitalization Team. That's the kind of service we're striving for. I think you can
21 see in the results here that we've received very good marks on customer service.
22 It has been improving with the Key Communicator Survey that was done which
23 reaches out to a range of very influential individuals around the state's radar

1 services, that's risen 13 percentage points to 76 percent approval in the last year.
2 And I would invite you to look at the appendix that shows the different types of
3 surveys that we send out on the Removal-Fill Program, Unclaimed Property and
4 Key Communicators. We also then have this card that we send out, or that we
5 have available that people can just – people can go down it, rip it off and send it
6 in to us.

7 Last in there I'll let you read this at your leisure, is a legislative overview, a
8 summary of what happened during the last legislative session and legislation
9 impacting State Lands.

10 **TREASURER EDWARDS:** Here's how the survey we had last year over
11 4,000 responses and the previous years you had 2,000, '03 1,000,
12 (UNINTELLIGIBLE) 2,000 just a little over 2,000, why the increase?

13 **DIRECTOR HANUS:** Because the Key Communicator Survey is done
14 every two years. So when we do that then we'll get a lot more responses. And
15 we try to do that with the Key Communicators, we want to know overall how the
16 agency is doing and we also want to target those people that are most interested
17 in the agency and are very influential. The other is a more programmatic based.

18 **TREASURER EDWARDS:** Thank you.

19 **DIRECTOR HANUS:** Thank you very much.

20 **GOVERNOR KULONGOSKI:** I just don't want to leave with Bill gone. If
21 he comes back and we're all gone it's going be (UNINTELLIGIBLE).

22 **DIRECTOR HANUS:** I do have one other thing to mention. I'm really
23 proud of staff that they stepped forward with the recent hurricane and held a

- 1 silent auction of things that people brought in and raised over \$400 and have
- 2 sent it to Northwest Medical Teams, so. Much to their credit.
- 3 **GOVERNOR KULONGOSKI:** Is there anything more to come before the
- 4 Land Board? Hearing none. We're adjourned.