



Oregon

Theodore R. Kulongoski, Governor

Department of State Lands

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State Land Board

Theodore R. Kulongoski
Governor

Bill Bradbury
Secretary of State

Randall Edwards
State Treasurer

The State Land Board met in regular session on October 10, 2006 in the Land Board Room of the State Lands Building, 775 Summer Street NE, Salem, Oregon 97301-1279

Present were:

Theodore R. Kulongoski, Governor
Bill Bradbury, Secretary of State
Randall Edwards, State Treasurer

Assistants

Michael Carrier
Elon Hasson
Inga Deckert

Staff

Louise Solliday	John Lilly
Steve Purchase	Julie Curtis
Pamela Konstantopoulos	Sally Wells
Jeannette Holman	Lorna Hobbs

Dept. of Justice

Richard Whitman

The Governor called the meeting to order at 9:10 a.m. The topics discussed and the results of those discussions are listed as follows. Further details of the discussions may be obtained in the written transcript of the meeting available at the Department of State Lands, 775 Summer Street NE, Suite 100, Salem, Oregon 97301-1279, (phone: 503-378-3805, ext. 224).

Consent Agenda

- 1. a. Request for approval of minutes of the June 13, 2006 State Land Board meeting.**

- b. Request to initiate review and determination for sale of five (5) isolated parcels (mostly timberlands, with one agriculture potential) in Union County.**
- c. Request to initiate review and determination for sale of a parcel of land in Clatsop County.**
- d. Request for authorization to initiate public rulemaking to develop administrative rules governing the placement of wave energy power generating devices and associated anchoring and electricity transmission equipment overlying state-owned submerged and submersible land within the Territorial Sea.**
- e. Request by the Oregon Department of Transportation to acquire a permanent bridge easement over state-owned submerged and submersible lands of the Snake River located in Malheur County.**
- f. Request by the United States of America, Bureau of Land Management to acquire a permanent road easement over and upon state-owned Trust Lands located in Harney County.**
- g. Request for approval to appear before the November 2006 Legislative Emergency Board for four items.**

Director Solliday reviewed the items on the Consent Agenda.

Treasurer Edwards asked for more detail about the wave energy item. He noted that the Oregon Innovation Council recently recommended that the state move forward and put some money into this technology.

Director Solliday stated that they are looking at rules that would incent the exploration of wave energy in the Territorial Sea. The technology being developed for wave energy, in most cases, requires anchoring and the rules would set criteria for the review of applications. She noted that there is a company already beginning the process of testing the technology off the coast of Reedsport. Lincoln County has filed an application with FERC for development of wave energy off its coast. Director Solliday stated that one of the concerns is the other uses of the Territorial Sea and how to minimize or reduce potential conflicts.

Treasurer Edwards noted that the wave energy facilities would be higher in numbers than fiber optic cables. He asked if there would be specific places we would manage.

Director Solliday stated that, yes, part of the discussion would be to determine if there were places that would be off-limits because they are used as crabbing or fishing grounds or possibly used as transit lanes. The agency would work with developers, the fishing communities and local governments to identify where opportunities best exist. This discussion needs to happen before the Department enters into any licensing.

Director Solliday stated that the Department will put together a rules advisory committee with all interests represented and a representative from the Oregon Innovation Council, if they are interested in participating.

Secretary of State Bill Bradbury moved the Consent Agenda be approved. State Treasurer Randall Edwards seconded. The motion passed.

Action Agenda

2. Request for authorization to sell a parcel of filled land in Columbia County.

Director Solliday explained that the parcel to be sold was 1.26 acres of filled lands on the Columbia River in Columbia County with a selling price of \$35,000. The parcel would be sold to Teevin Bros. Land and Timber Co. Teevin Bros. will use the site as mitigation for the development of a dock and wharf structure. The land is only accessible by water and therefore difficult for the agency to manage.

Secretary Bradbury moved to authorize the sale. Treasurer Edwards seconded. The motion passed.

3. Request for approval of the 2006-2010 Strategic Plan.

Director Solliday introduced the next action item. The Department's 2006 - 2010 Strategic Plan. She explained that the plan is part of DSL's budget development process. It is organized around a series of

eight goals. The plan was updated to revise timelines. In addition, a new section was added that lays out the organizational structure of the agency and provides short overviews of each of the divisions. An appendix was added, as well, that identifies all of the plans the Department has adopted over a period of time.

The plan will be used to set priorities for the Department, including the budget. Director Solliday stated that the agency has not yet received approval for the Department's Key Performance Measures, but have made revisions in response to the Audit Committee's request to rework a couple of performance measures and final approval is expected at their meeting in November. Once the measures are approved, the Strategic Plan will be revised to reflect the changes made.

Secretary Bradbury asked if the changes to the performance measures would have an impact on the plan.

Director Solliday answered that the changes will not have any impact on the actions laid out in the plan. They simply are measurements of the agency's progress.

Treasurer Edwards stated his support for the strategic planning process and acknowledged that it was a good tool to manage an organization and to assist the Board with direction. He asked for a description of the process in how the agency arrived at the final plan.

Director Solliday explained that meetings were held internally with staff. In addition, meetings and surveys were conducted with stakeholders, including education beneficiaries, asking for their input on the Plan. Revisions were made after reviewing the input received. Several revisions were made over a period of about a year that led to the final document before the Board.

Secretary Bradbury moved that the 2006- 2010 Strategic Plan be approved. Treasurer Edwards seconded. The motion passed.

4. Request for approval of the 2006-2016 Asset Management Plan.

Director Solliday introduced the next item for approval – the new ten-year Asset Management Plan and approval to dispose of unleased and isolated rangelands, and to initiate the disposal process for certain

forestlands. She stated that the Board adopted its first Asset Management Plan in 1995, as a result of legislative direction. Staff has been working over the last two years to update the 1995 plan. Director Solliday stated that there were significant changes to the plan. There are a number of acres that have been reclassified from one use to another use. There is an overall shift in the real estate portfolio to a more aggressive position by looking at more opportunities for industrial, commercial and residential development on Common School lands, particularly in the areas where development is occurring rapidly, like Central Oregon.

The plan identifies a number of acres for disposal. Most of them are isolated rangelands or forestlands. They range from small parcels – 20 acres or so – to very large parcels –500 or 600 acres. These parcels are difficult for the agency to manage. Costs exceed income. Many of the rangelands are unleased because they are small in size and it makes more sense to sell them.

If approved, the agency will begin the process for selling the rangelands. The sale of forestlands would go through a review process to determine if selling them is beneficial or not. The plan identifies up to 12,000 acres of rangelands and up to 12,000 acres of forestlands. It is not anticipated that the Department would sell all of these lands in the next ten years, but would likely offer for sale a large majority of those acres identified for disposal in the Asset Management Plan.

Director Solliday stated that there was extensive public comment opportunity of the draft plan. Four hearings were held around the state and the opportunity for public comment was offered at the Land Board meeting this past June.

Governor Kulongoski asked for clarification on the process to sell the 12,000 acres of rangelands. He asked if adjacent property owners would have preference rights.

Director Solliday asked Steve Purchase, Assistant Director for DSL's Land Management Division to explain.

Mr. Purchase introduced himself and explained to the Board that they adopted land sale rules about a year and a half ago that lay out the process to sell a piece of property, including notices to adjacent landowners and to lessees. He stated that adjacent landowners do not

have a preference right under the state statute or a right of refusal to buy property. The Department does send notice to adjacent landowners and their comments are taken into consideration. He explained that rangeland lessees do have some preference rights under the statute to buy the land and under sub law contract. These would be addressed on a case-by-case basis.

Governor Kulongoski asked how many leases were currently on the 12,000 acres.

Mr. Purchase responded that there were none.

Governor Kulongoski asked if the land then went to the highest bidder?

Mr. Purchase explained that first the Board initiates a sale and then the agency would come back with a recommendation to sell. At that point, the method of sale is determined. The method could be direct sale, open competitive, oral, optional or closed state auction.

Governor Kulongoski asked how the Department determines a method of sale to recommend?

Mr. Purchase explained that it would not make sense to do a direct sale in this case, because the parcels are scattered and isolated without lessees. He stated that there might be an instance when an Indian tribe would be interested in purchasing the land and then it would make sense to do a direct sale. Mr. Purchase stated that most of the recommendations to the Board would likely be for open competitive sales.

Secretary Bradbury asked where the 12,000 acres of timberland were located.

Mr. Purchase explained that the forestlands are scattered throughout the state —both Eastern and Western Oregon. Approximately 8,000 acres are in Eastern Oregon and 2,000 acres are in Western Oregon.

Treasurer Edwards asked if appraisals are performed on the lands for fair market value.

Mr. Purchase stated that the rules require the Department to come up with an estimated value. The Department does go out and do appraisals as part of that determination.

Treasurer Edwards asked how a value is established if the land is not leased and there is no alternative use. He clarified that he was referring to rangelands and that he could see that the forestlands contain standing timber that could be sold.

Mr. Purchase explained that an appraisal would include the value of the land at its highest and best use under current zoning. He stated that there is a market for these lands in Eastern Oregon and that a couple of appraisals have already been completed. He stated that the Board had previously authorized the agency to move forward with looking at selling some of the scattered, isolated parcels and that the market information on those was good.

Treasurer Edwards asked for clarification that the Plan is an overall plan of all the things the agency is doing – that the 12,000 acres of both rangeland and timberland were part of the long-term consolidation and disposing of small pieces of land. He commented that selling these lands may be good in a financial sense, but the directive of the Board and agency is to provide stewardship for these lands and there needs to be certainty that they are being sold for the right reasons.

Director Solliday explained that the proceeds from the sales go into the land revolving fund, which can be used to purchase additional lands. The goal is to divest of the lands that are not providing revenue in order to invest in lands that will.

Secretary Bradbury moved that the Asset Management Plan for 2006 – 2010 be approved. Treasurer Edwards seconded.

Director Solliday asked for clarification that the motion included the sale of rangelands and forestlands identified for disposal.

Secretary Bradbury stated that it did. The motion was passed

5. Request for approval of the 2007-2009 Sustainability Plan.

Director Solliday stated that the Department was requesting approval of the Department's Sustainability Plan. The first plan was adopted in March of 2004 in response to Governor's Executive Order 03-03. A new order was issued in 2006, 06-02. It gave direction to the agency to look at opportunities for development of renewable energy resources on its lands. The Plan has been updated to include an action item related to exploring opportunities for renewable development. Wave energy is a part of that. The agency is also looking at an opportunity to create an energy park in SE Deschutes County.

An additional item was added to the Plan – promoting sustainable building and development practices as the agency develops master plans for industrial, commercial and residential parcels being developed by the Department.

The timelines in the Plan have also been updated.

Secretary Bradbury made a motion to approve the Plan. Treasurer Edwards seconded. The motion passed.

Informational Agenda

6. Escheated Estates Program Annual Report.

Director Solliday introduced Pamela Konstantopoulos and explained that the Department is charged with handling estates for people who die without a will or any known heirs. The Department also manages assets from estates when an heir cannot be located.

Ms. Konstantopoulos introduced herself as the Fiscal Manager for the Department and Manager of the Estates Program. She introduced her staff to the Board – Wayne Smith, Greg Goller and Sally Wells. She explained that Wayne and Greg were currently out on a case and she asked Sally Wells to stand.

Ms. Konstantopoulos stated that it had been several years since a report was presented to the Board. She stated that there is a Constitutional provision that requires the Department to manage the estates of people who pass on without a will or without heirs. The Department is appointed personal representative of the estate and the Department acts immediately to attempt to reunite the estate with the legal heirs or beneficiaries, if there are any. Management of an estate

ranges from the destitute to those with multi-million dollar values. It is never known what an estate is valued during the initial inspection, but each one is treated with equal respect and due diligence. The Department responds to cases rapidly in order to safeguard any assets. Statute requires a response within five days. She explained that, in the past, it had been difficult to meet the statutory deadline and that the recent addition in staff has helped to meet the deadline. The Department performs a thorough search for wills and rightful heirs. This includes going through all possessions. The Department assists funeral homes with the final disposition that includes burial arrangements, checking on veterans' benefits and arranging for payment for services when funds are not available in the estate. The Department assists landlords in the release of the property and ensures proper payment to creditors according to statute. The funds are held for a period of ten years, during which a rightful heir can come forward and claim the estate. If it is not claimed after the holding period, it is permanently escheated to the Common School Fund.

Treasurer Edwards asked why there is a ten-year limit versus unlimited unclaimed property.

Ms. Konstantopoulos stated that she did not know the reason for the ten-year period.

Jeannette Holman introduced herself to the Board and stated that unclaimed property is held in perpetuity because it's not a Constitutional provision. There once was a limited period when unclaimed property was held, but it was found that holders are more inclined to turn money over if we hold it in perpetuity for its rightful owner. She explained that the state exchanges unclaimed property with other states and having a limited holding period made other states reluctant to make the exchanges. She stated that the ten-year period for estates has been present for as long as she could remember.

Governor Kulongoski remarked that in 2003 there was an issue of compliance with the requirement and asked if it was known what percentage of escheats were not coming to the state and if the Department has been more effective in getting people to comply after three years.

Ms. Konstantopoulos stated that compliance is still the major issue for the program and that the Department is receiving 15 – 20 percent compliance. The majority of the state is still not in compliance. She stated that she will discuss this further later in her presentation.

Governor Kulongoski asked what happens to the assets when they don't comply.

Ms. Konstantopoulos explained that it is frequently a friend or acquaintance of the decedent who steps in and somehow gets appointed or manages an estate without going through the legal process.

Governor Kulongoski asked how they receive title to a property if they have no legal claim.

Ms. Konstantopoulos explained that the real property is one of the success areas because the title companies have started saying to these people that they have no right to sell the property and must be turned over to the state. She went on to explain that there are a number of properties that end up going through foreclosures or are taken by the counties because no one paid the taxes over a period of time. In those cases, the state was not notified. She gave an example of an estate in Albany that was vacant for three years before the agency was notified.

Ms. Konstantopoulos explained that the Department's management of an estate begins with notification of a death. Generally, a medical examiner, landlord, funeral home, hospital or someone close to the decedent notifies the Department. An initial search for heirs is performed internally. If none are found, staff physically responds to the residence. The agency always maintains dual custody when going to a residence. She stated that even though a place may appear to have been occupied by someone living in undesirable conditions, on Section 8 housing or on public assistance, there have been instances when large amounts of cash or other valuable assets have been found. During the inspection, staff search for any evidence of a will or heirs. She noted an example of a case where a love letter from World War II was found indicating that the decedent had children somewhere. The Department was able to locate these children and reunite them with the estate.

Ms. Konstantopoulos stated that estates are particularly vulnerable to theft, to squatters and identity theft.

Governor Kulongoski asked if the Department ever gets claims for an adverse possession.

Richard Whitman stated that a person cannot make such a claim against the state.

Ms. Konstantopoulos stated that the other major issue facing the estates is identity theft. She explained that the Department collects all valuables as well as all negotiable items and account information to assure that it is not available to identity thieves. The Department also collects any family mementos in order to reunite them with heirs, should any be found. She described other items that are collected such as vehicles, animals and firearms. She stated that all drugs found at the residence are disposed of. If criminal activity has occurred the police are called in. Staff secures the residence and checks with neighbors to make sure they do not have access/spare keys. If no evidence of heirs is found at the residence, the Department begins the legal process. She stated that the minimum time to complete an estate is four months. This allows creditors to file claim against the estate. Assets are liquidated. Auctions are held on a regular basis. She stated that several auctions were held this year already and there would likely be two or three more. The Department has recently started using E-Bay which has been successful, particularly for vehicles.

Ms. Konstantopoulos noted that the Department cannot close a case until all personal affairs are completed. If there is a contract or wrongful suit still pending, the case must remain open. Estates can remain open for two or three years or longer, during which time the Department must continue regular management and reporting until it is closed by the court.

Ms. Konstantopoulos discussed the compliance issue brought up previously by Governor Kulongoski. She stated that this is the case particularly in Central and Eastern Oregon. The 2003 legislative action did bring visibility to the program in the professional communities. This is the reason for the rise in activity with the program. It has also brought more missing heir cases to the Department.

Ms. Konstantopoulos noted that the program has grown over the last four years from about .75 cases to 2.37 cases per week on average. In 2002, 2003 and 2004, cases averaged around 40 cases per year. In 2005, the Department had over 200 cases and it appears it will exceed 220 cases in 2006. Escheats have risen over the last four years, from \$92,000 in 2002 to over a million (dollars) in 2005. The Department is currently managing estates with a total value of \$5.2 million. Ms. Konstantopoulos stated that she believes most of these will escheat. If these cases close before the end of the year, the total would amount to about \$6.5 million.

Ms. Konstantopoulos stated that staff has embarked on reorganizing and streamlining the program. They are looking at more rapid response time and improved records management. In addition, they are expediting the estate's closure whenever possible.

Ms. Konstantopoulos noted that all the staff in the Estates Program are new, having been hired within the past six months, which has provided the opportunity to make enhancements to the program. They are looking at more effectively assessing administrative charges to the estates. She mentioned that one of the new staff was an estates attorney who has brought new insight in how to capture the costs appropriately. They are also working on further definition of the proof of heirship that is required by the Department for international claims. She explained that different documentation used in other countries makes it a challenge and they are working to provide a more standard method of approval for these claims.

Ms. Konstantopoulos stated that her staff has started a small canvassing effort to get information out to the professional communities. They have started a targeted outreach to funeral homes and plan to expand to other professions within the next year. They are also developing a brochure for distribution by the end of the year. They will be holding educational seminars statewide in 2007 to begin working on the compliance issue.

Treasurer Edwards asked how long it typically takes once they have been to the residence until the time the state can't find any heirs.

Ms. Konstantopoulos stated that it is generally five to six months from notification to closure.

Treasurer Edwards asked if the Department has ever tracked how long it takes to be notified. He also asked if it would take a larger staff if the state were to receive all cases, not just the 15-20 percent currently believed to be reported.

Ms. Konstantopoulos stated that at least two more staff would be needed, particularly when they have to physically respond to places like Burns or Ontario. The Department currently has a plan in place when there needs to be two teams out in the field, but if the program grows as it likely will with the outreach, they would need additional staff.

Governor Kulongoski asked if there are a higher percentage of people writing wills because people are living longer. He also mentioned that people are moving around the country more now.

Ms. Konstantopoulos stated that it is very rare that a will is written in these cases. She also pointed out that, in addition to their outreach efforts, the baby boomers are coming and this will also increase the number of cases. She also stated that the country is mobile and families are no longer situated in one geographical region. It is more common that people with close connections to the decedent have little knowledge of their history or relatives.

7. Report on status of Common School Forest Land Management for Fiscal Year 2006

Director Solliday introduced Marvin Brown to present the Oregon State Forester's 2006 Annual Report. Mr. Brown introduced himself to the Board. He introduced Jim Paul the new Assistant State Forester. Mr. Brown stated that he would quickly highlight pieces of the report and then answer any questions.

Mr. Brown stated that in the beginning of the current biennium, they projected revenue at \$22.6 million. Governor Kulongoski pointed out that the report was dated October 9th and asked if it was a brand new document. Mr. Brown stated that yes it was.

Governor Kulongoski then asked if it had been public before today. Mr. Brown stated that he didn't think so. It was officially being presented for the first time today.

Mr. Brown restated that their revenue projection for the 05-07 biennium was \$22.6 million. He explained that they were behind in '06, and the actual projection for the rest of the year puts the biennium at \$21.8 million to be returned to the Common School Fund. Mr. Brown stated that prices have dropped lower than what anyone expected in the past week or two and that revenues may not even reach the \$21.8 million.

Treasurer Edwards asked if the decline was due to housing starts.

Mr. Brown responded that, yes, it was due to housing starts. He stated that lumber prices are currently about 50 percent of what they were at the 2001 peak. In 2006 they sold 34.7 million feet because there was a strong log inventory at all the mills. They only harvested about half of that so the remaining half will be harvested and they will receive the revenue for that in this year and the next. He stated that it usually takes about three years to close out a timber sale. They currently expect to sell another 22 million feet for the year 2007. This is lower than last year because of some ESA constraints. Also, due to various management reason, there will be a higher percentage of timber sale on the Board of Forestry lands than on Common School lands.

Mr. Brown explained that they sold 34-plus million feet in 2006 and the remaining 17 million feet will be harvested in 2007 and 2008 and that is when they expect to see the revenue.

Treasurer Edwards asked if the 22 million was on top of the 17 million being carried forward.

Mr. Brown explained that the 34.7 million feet that were sold in 2006 were what they had contracts for, but will be harvested in 2007, 2008 and 2009. They expect to take contracts for an additional 22.1 million feet in 2007. That will be harvested in 2007, 2008 and 2009. This three-year period and the inability to make a perfect prediction on what percent is harvested make revenue projections a challenge. It depends on the inventory at the sawmills. Last year they had high inventories because of weather and other conditions that meant they were not in a hurry to harvest. Also, with lumber prices going down right now, the mills are less anxious to harvest those sales because they probably would not be able to make any money on them.

Treasurer Edwards stated that he is troubled by this trending. Lower harvest, lower prices means lower revenues to the Common School Fund. He asked if they were estimating what the marketplace was going to bear when looking at the 22 million board feet and if Mr. Brown could explain why the estimate is so far off for this year.

Mr. Brown stated that those are averages. The volume is developed on the basis of the management plan when they are implementing a harvest schedule. He stated that Board of Forestry lands are intermixed with Common School lands and depending on where they are at in the management of that landscape, that determines what stands are selected for harvest during a given year. He said that it really has nothing to do with the market. It has to do with what kind of management practices are trying to be achieved. In addition, some of the Common School lands that would have been put up for sale have ESA constraints.

Treasurer Edwards asked if marbled murrelet are being found where they weren't expected.

Mr. Brown stated that they look at harvest possibilities for two or three years and determine what stands will be harvested in certain years. Based on that determination, they implement a survey protocol to verify whether endangered species exist before they are harvested. They do not know whether endangered species exist until they implement the protocol. In 2006, there were an additional 78 acres that were moved into marbled murrelet habitat based on those surveys.

Secretary Bradbury asked for clarification that the survey is taken once the stands have been targeted to be sold and so far this year 350 acres of additional marbled murrelet habitat have been discovered.

Mr. Brown stated that not all 350 acres were necessarily scheduled to be sold, but because there was a harvest scheduled in the area, it resulted in having to designate 350 acres.

Treasurer Edwards asked if the Department of Forestry has changed their thinking because the trends are not going in the right direction (smaller harvest levels, lowering prices and finding more species) and asked about the cost structure.

Mr. Brown stated that cost is an important part of the equation. Average cost has been about 36 percent of total revenue over the past five years and about 30 percent over the last ten years. Their objective is to stay within that range. He stated that the figure of 44 percent of total revenue when their budget was presented was incorrect. He stated that the new management plan that is currently being developed will give flexibility in managing costs and projections would be more consistently around 40 million board feet a year or more. Mr. Brown mentioned that Coho are not listed now, but that doesn't mean they will stay that way. It is not certain what will be listed or de-listed in the future.

Governor Kulongoski asked if there was a decline in the volume of board feet being put out to bid.

Mr. Brown stated that before the spotted owl was listed, harvest was approaching 50 million board feet per year. Once the owl was listed, the number dropped to nine to ten million feet per year – 80 percent. Mr. Brown stated that with a Habitat Conservation Plan (HCP), they have been able to get the number up to 20 to 25 million board feet, but the areas are close to being harvested out. The new HCP will allow some flexibility to work in areas they can't right now. Regarding what gets put out to bid versus what actually gets harvested, Mr. Brown stated that they usually end up with a few more board feet per acre than what was estimated.

Governor Kulongoski stated that the bottom line is what they're interested in and that it depends on other factors that won't necessarily lead to more revenue.

Mr. Brown stated that total revenue needs to be looked at as a long-term average because of wood business cycles. He stated that the costs remain the same no matter how much revenue is generated.

Treasurer Edwards asked for an explanation of the variable costs and how it can be managed.

Mr. Brown explained that he still believes returns are good. He discussed the fixed costs – maintenance functions, road maintenance, boundary maintenance and fire protection; and variable costs – cruising, marking, sale administration, reforestation, roadwork

associated with logging – these are related to volume, not stumpage value.

Governor Kulongoski pointed out that the costs were similar to utility costs. It seems that rates should be lower when people conserve, but actually, rates can go higher because the utilities have to generate the revenue in order to fix costs.

Mr. Brown agreed and explained that, in general, forestland investments are given preferable treatment as long-term investments. The average is over a period of years. Mr. Brown stated that he believes it is a good idea to stay with the notion of an HCP. Currently, there are 10,000 acres on the Elliott State Forest that are constrained by marbled murrelet habitat. It is a substantial amount of land that keeps growing. Mr. Brown stated that they are contracting with Moss Adams of Eugene to assist the Department with a better system for projecting revenues.

Treasurer Edwards asked for the status of the new HCP.

Mr. Brown stated that the plan is basically done and they are in the negotiation process with the federal services. They hope to have an incidental take permit by late 2007. He stated that if they run into problems with negotiations, he will come back to the Board to see how they want to proceed.

Treasurer Edwards asked if there was anything they, the members, could do to assist at this time.

Mr. Brown stated that things were going okay at this point, but they may need political assistance in the future.

8. Change in 07-09 Common School Forestland Revenue Projection.

Director Solliday introduced item number eight – a memo to the Board indicating that the Department of Forestry has revised its revenue projections for the 2007-2009 biennium. At the June Land Board meeting, the projected revenue was \$22.9 million for the biennium. Two factors went into the revised revenue projection. First, they updated their receivables based on sales that were actually sold in 2006, which increased the projection. Second, the actual operating

plan for 2008, the amount of harvest on Common School lands has been increased and Department of Forestry lands has been decreased. The revision should bring costs in line with the 30 to 35 percent.

Secretary Bradbury asked what was not right in their current projection system and what they hoped to figure out with the help of the accounting firm in Eugene.

Mr. Brown stated that they did not know exactly and that is why they hired experts. He said he hopes they will be able to make projections more confidently on what percent of a timber sale will be harvested during what year. In addition, he hopes to have the ability to more accurately project stumpage values.

Secretary Bradbury stated that the ability to make good projections is based on a whole series of factors over which we have no control.

9. SSNERR Fee Structure Report.

Director Solliday introduced the last item on the agenda. The 2005 Legislature directed the Department to look at the feasibility of charging fees for services at the South Slough National Estuarine Research Reserve in Charleston. The South Slough Commission appointed a rules advisory committee who took a look at a broad range of fee opportunities and came back with a recommendation to the Commission a few months ago. The Commission approved the recommendation of the committee and will now move forward with rulemaking for a series of fees at South Slough.


Governor Kulongoski asked how much money the fees would raise.

Director Solliday stated that the fees would not generate a lot of revenue, but it will start them in the right direction of being less dependent on the Common School Fund.

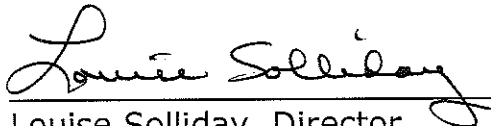
Director Solliday introduced her new executive assistant and assistant to the Land Board, Lorna Hobbs, who previously worked in the Governor's Office. She also mentioned capital improvements to the building that are currently underway – new carpet and new roof. She discussed an incident that happened the previous day where fumes from the roof project had entered the building and some tenants went

home. She said that Steve Purchase has met with the contractor and building tenants to ensure that it did not happen again.

The meeting was adjourned at 10:25 a.m.



Theodore R. Kulongoski, Governor



Louise Solliday, Director