

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

-----

STATE LAND BOARD MEETING

April 13, 2010

State Lands Building

775 Summer Street NE, Salem, Oregon

-----

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

TABLE OF CONTENTS

<u>AGENDA ITEM NO.</u>	<u>PAGE</u>
Awards	4
Consent Agenda (Approved, Page 10)	9
Agenda Item No. 2	11
Agenda Item No. 3	15
Agenda Item No. 4	22
Agenda Item No. 5	34

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

TRANSCRIPT OF PROCEEDINGS

**SECRETARY OF STATE BROWN:** Good morning. We're going to call the April 13, 2010, State Land Board meeting to order. I'd like to first recognize our new treasurer and extend a welcome.

**STATE TREASURER WHEELER:** Thank you.

**SECRETARY OF STATE BROWN:** Would you like to make any comments?

**STATE TREASURER WHEELER:** Well, I'm very pleased to be here and I look forward to working with all of you. And any meeting where they provide me with my own pot of coffee is the kind of meeting I like to attend, so I feel very welcome. Thank you.

**SECRETARY OF STATE BROWN:** Good. We're delighted to have you here. And I think most of you know that the Governor is very sick and won't be with us today unfortunately. I also just wanted to mention the last time we had this meeting Treasurer Ben Westlund could not be with us, but he appeared over phone and has since passed away. And we are really going to miss him a lot. He was a really unique soul, quite a big-hearted Oregonian and a maverick, and we're really going to miss his spirit. And I just want to say, Ben, we're going to miss you. All right. Louise, take it away.

**DIRECTOR SOLLIDAY:** Thanks. And I want to add my welcome to Treasurer Wheeler, we're pleased to have you on the

1 Board and look forward to working with you over the next  
2 several years hopefully.

3           **STATE TREASURER WHEELER:** Thank you.

4           **DIRECTOR SOLLIDAY:** Today we're going to start with  
5 the Land Board awards, which is something we've been doing  
6 annually for five years, in which we recognize responsible,  
7 sustainable stewardship of Oregon's natural resources as well  
8 as partnerships that advance the work of the Land Board. This  
9 year's award winners were selected because of their extra  
10 effort, vision and dedication to their work.

11           The awards feature artwork by Portland Artist Lillian  
12 Pitt, a Warm Springs tribal member. Her mask depicting "She  
13 Who Watches" is attached to each plaque. "She Who Watches" is  
14 based on a pictograph found along the Columbia River.  
15 Originally a woman chief, this important figure in Columbia  
16 River legends taught her people how to live well.

17           We believe the concept of someone watching over our  
18 actions is an appropriate symbol for the Land Board awards.  
19 All of the Land Board members will present awards today, and  
20 we'll take photos of each group of winners after their award is  
21 presented. I want to thank everyone for joining us today, and  
22 for traveling to Salem to participate in the awards ceremony.  
23 It's encouraging for the Land Board and the Department to know  
24 there are so many outstanding projects taking place throughout  
25 the state.

1           And I commend today's award winners for protecting  
2 our natural resources for future generations. I also want to  
3 recognize Representative Huffman, who just is joining us today  
4 who has one of the award winners in his district. So welcome,  
5 Representative Huffman. And the first award is going to be  
6 given by Secretary Brown.

7           **SECRETARY OF STATE BROWN:** Thank you. Well, I'm very  
8 pleased today to present the 2009 Stream Award to the Grant  
9 County Soil and Water Conservation District for their work in  
10 restoring the Upper John Day Watershed. This is an impressive  
11 project, and has not been a short-term effort. For the past 16  
12 years, the district has worked to improve fish passage in the  
13 watershed. And in 2009 they completed the hundredth irrigation  
14 diversion replacement.

15           The John Day River system is the second largest  
16 undammed tributary in the western United States, and is unique  
17 in that it's managed for wild steelhead and salmon production  
18 with no hatchery stocking program. Over the past 16 years, the  
19 Grant Soil and Water Conservation District has worked with  
20 landowners along the John Day to replace historic gravel push-  
21 up dams, which number in the hundreds.

22           The dams are detrimental to fish passage during the  
23 summer months, and the use of heavy equipment to create the  
24 dams each year reduces water quality and damages riparian  
25 vegetation. To remedy this, the Grant Soil and Water

1 Conservation District installed new lay-flat stanchion dams  
2 that provide for fish passage and require virtually no  
3 maintenance with excavation equipment.

4           Staff have effectively worked with private  
5 landowners, who were initially skeptical of the idea of  
6 replacing the gravel push-up diversion dam. By meeting both  
7 the economic need of the landowner and the resource need of the  
8 watershed, these projects have created acceptance, support and  
9 increased interest in restoration projects across the basin.

10           In addition to landowners, a wide variety of partners  
11 helped along the way, including the Oregon Watershed  
12 Enhancement Board, Oregon Department of Fish and Wildlife,  
13 Confederated Tribes of Warm Springs, Oregon Department of  
14 Agriculture, the federal Bureau of Reclamation and the  
15 Bonneville Power Administration.

16           The district has successfully kept their eye on long-  
17 range results, and what's even more impressive is they plan to  
18 tackle another 60 projects over the next ten years. I have no  
19 doubt that the next 60 will be as successful as the first 100.  
20 Would the project partners please come forward to accept the  
21 2009 Stream Project Award: Jason Kerberg, Russ Powell, Mark  
22 Crogan, Linda Brown, Sue Greer and Jason Karnezis. Come on up,  
23 guys. Hang on, we're going to get Representative Huffman in.

24           **REPRESENTATIVE HUFFMAN:** Wait, I'm supposed to be on.

25           **SECRETARY OF STATE BROWN:** Yes.

1           **STATE TREASURER WHEELER:** We didn't practice this.

2           **SECRETARY OF STATE BROWN:** All right. It's my  
3 pleasure to present the first of two wetland project awards for  
4 the Neitzel Farm Habitat Restoration. This project on the  
5 Necanicum River on Oregon's north coast turned a family-owned  
6 farm into active wetlands. It's a wonderful example of how  
7 landowners with vision can truly make a difference.

8           The Neitzel Farm is the last historic truck farm in  
9 their area that has not been subdivided. The owners, Ernestine  
10 Neitzel and her son Les, wanted to ensure that the property  
11 would be preserved in a natural state forever. The Neitzel's  
12 worked with Joe Sheahan of the Oregon Department of Fish and  
13 Wildlife, Doug Ray of Carex Consulting, and Sarah Kelly of the  
14 Department of State Lands to construct six-tenths of an acre of  
15 wetland on the property.

16           The projects involved restoring and reconnecting off-  
17 channel wetlands to improve habitat for Coho salmon and other  
18 species. One of the more innovative concepts was placing  
19 upside-down conifers with root wads for raptor perching and  
20 potential nesting sites. The project is a model of rural  
21 community networking, and brought together state and federal  
22 agencies, timber companies, elected officials, and more than 20  
23 community groups.

24           Support ranged from hard dollar funding to in-kind  
25 donations of Christmas trees for use in the wetland complex. A

1 sampling of the wide variety of partners include the Oregon  
2 Watershed Enhancement Board, US Fish and Wildlife Service, the  
3 North Coast Land Conservancy, Longview Timber Company, Campbell  
4 Group LLC, the Necanicum Watershed Council, Trout Unlimited,  
5 Brims Farm and Garden, Thompson Family Enterprises, and local  
6 families who donated trees and stumps from their land,  
7 including State Representative Debbie Boone, who I don't think  
8 is here with us.

9           Would the project partners please come forward;  
10 include Joe Sheahan, George Wilson, Tom Wolf, and Teresa  
11 Retzlaff who is representing the Neitzel family. Ms. Neitzel,  
12 who is 87 years old, was very sorry to miss the event, but I  
13 know the project partners will relay our appreciation to her  
14 and her son for their exemplary work for Oregon. Thank you.  
15 Thanks for your hard work, you guys, good job.

16           **STATE TREASURER WHEELER:** I'm pleased today to be  
17 presenting the second Wetland award for the Munger Farm  
18 Restoration. This multi-agency project was coordinated by  
19 Tualatin Riverkeepers on Metro-owned land adjacent to the  
20 Tualatin River near Sherwood. Metro purchased the land in 1997  
21 using money from a 1995 open bond measure with the goals of  
22 providing access to the Tualatin River and promoting  
23 development of natural habitat in the watershed.

24           The primary objectives of the project were to restore  
25 historic plant communities, including Willamette Valley Wet

1 Prairie, and to provide critical habitat enhancement for plant  
2 and animal species of concern. For many years, buried tiles  
3 had drained surface and groundwater from the site for farming.  
4 As a result, the major part of the restoration work involved  
5 disabling these drains and reseeding the area with native  
6 species and woody plants.

7 Now, species such as the red-legged frog, bald eagle  
8 and the Nelson's checker mallow will have a natural environment  
9 in which they can flourish. Funding to restore the 40 acres of  
10 riparian forest and wetland scrub came from the Department of  
11 State Lands, the USDA Natural Resources Conservation Service,  
12 and Clean Water Services. This project demonstrates how  
13 agencies and funding partners can come together to create  
14 large-scale, community-based wetland restoration.

15 On Munger Farm, native species now have a natural  
16 home in which to thrive, and the public has access to a  
17 restored wetland area where they can learn about and experience  
18 Oregon's native Landscapes. Would the project partners here  
19 today, Monica Smiley, Vicki Julis, Sue Marshall, John Goetz,  
20 Melissa Rowe Soll, Dana Hicks and Kathleen Brennan-Hunter  
21 please come forward to receive your award for a project well  
22 done. Great. Thank you.

23 Our final award today is the Partnership Award, which  
24 recognizes agencies and individuals who help advance the  
25 mission of the Land Board and the Department of State Lands.

1 Today's recipient, the Deschutes County Juvenile Community  
2 Justice Department, is very deserving, and we're so pleased to  
3 have you here today. In 2007, Jim Smith came to DSL's eastern  
4 region office to ask how his crews might help with state lands  
5 in Deschutes County.

6 Jim's program provides juvenile offenders with  
7 opportunities to complete their required community service.  
8 After discussing the options with DSL Land Manager Shawn  
9 Zumwalt, and with maps in hand, Jim and his crews of kids age  
10 12 to 18 set out to clean up trash on three parcels. And boy,  
11 have they done a lot.

12 They've removed vegetation for a firebreak on the  
13 Stevens Road tract in Bend; cleaned up large amounts of  
14 household trash on the south Redmond parcel; and removed  
15 multiple household appliances used for ATV tracks on the Todd  
16 Road property. Each time they've helped, the crews have been  
17 timely and done an excellent job, at no cost, to help us keep  
18 our properties in the Deschutes County area cleaned up.

19 This in turn makes the land more enjoyable for the  
20 public, especially for adjacent neighbors who like the  
21 properties to remain trash-free. Our partnership with the  
22 Deschutes County Juvenile Community Justice Department is one  
23 we hope will continue well into the future. And I'm pleased to  
24 present them with this award today. Will Jim Smith, Don  
25 Bradford, Lee Chamberlin and Shawn Zumwalt please come forward

1 and accept your award. Thanks a lot.

2           **DIRECTOR SOLLIDAY:** So if I can indulge everybody for  
3 a moment, if the Neitzel Farms folks could come back up,  
4 Representative Boone. Okay. And so let's get a photograph  
5 with her in there.

6           **SECRETARY OF STATE BROWN:** Thank you.  
7 Congratulations.

8           **DIRECTOR SOLLIDAY:** The next item on the agenda is  
9 the Consent Agenda. We have five items on the Consent Agenda  
10 today. The first is a request for approval of minutes of the  
11 February 9, 2010, State Land Board meeting. The second is a  
12 request for the addition of two sites known as the Whetstone  
13 and Willow Creek sites to the Oregon Register of Natural  
14 Heritage Resources.

15           The first site, which is the Whetstone site, is  
16 located in the Agate Desert in Jackson County and is owned  
17 jointly by the Nature Conservancy and the Oregon Department of  
18 Transportation. The 80.32-acre parcel contains seasonal  
19 wetland and prairie habitat is one of the highest quality  
20 natural areas remaining in the Rogue Valley.

21           The second site is a smaller site, 10.45-acre site  
22 that is adjacent to the Willow Creek Preserve. This came to us  
23 from the Nature Conservancy. It's a large remnant of historic  
24 bottomland that supports population (unintelligible) with  
25 butterfly and five species of at-risk plants that provide

1 critical habitats for threatened and endangered species.

2           The third item is a request for the approval to  
3 initiate the review and determination of the sale of up to 17  
4 scattered forestland parcels located in Benton and Lincoln  
5 County. The parcel in Benton County has been identified in our  
6 Asset Management Plan for disposal. The other parcels located  
7 in Lincoln County came to us from recommendation of the  
8 Department of Forestry. These are parcels that are difficult  
9 to manage because they are isolated and scattered. Some lack  
10 access. Some are completely surrounded by other ownership.

11           And then the fourth and the fifth items on the  
12 Consent Agenda are requests to approve permanent easements to  
13 the Oregon Department of Transportation for bridges that they  
14 will be doing work on this year; one over Lint Slough within  
15 the city boundaries of Waldport and Lincoln County. And the  
16 other for Big Creek Bridge that's located between Waldport and  
17 Yachats on Highway 101. And with that, staff recommends  
18 approval of the Consent Agenda.

19           **STATE TREASURER WHEELER:** I move that we approve the  
20 Consent Agenda.

21           **SECRETARY OF STATE BROWN:** Treasurer Wheeler has  
22 moved approval of the Consent Agenda. Any further discussion?  
23 Any objection? Thank you.

24           **DIRECTOR SOLLIDAY:** The second item on the agenda is  
25 a presentation from Mike Mueller of the State Treasurer's

1 Office to give you the annual review of the Common School Fund  
2 investments. With that, invite Mike up here.

3 **DEPUTY MUELLER:** Thank you. For the record, Mike  
4 Mueller. I'm the Deputy State CIO for the Oregon State  
5 Treasury. You have my written report. I just want to provide  
6 you a few highlights.

7 **SECRETARY OF STATE BROWN:** Can you hang on just a  
8 second? It's looks like you're getting a little feedback  
9 from --

10 **DEPUTY MUELLER:** You have my written report. I just  
11 want to provide you a few highlights. When I was here last  
12 year about this time things were much less rosy. I think the  
13 Governor asked what I saw for the future of the economy. And  
14 my answer was, "I don't know." And we were hopeful that things  
15 would get better, and indeed they did.

16 For comparison purposes, the broad domestic equity  
17 markets lost 37 percent 2008. But for the full calendar year  
18 of 2009, they returned 28 percent, which is precisely why we  
19 don't tie markets. We stuck to the 70/30 asset allocation;  
20 that is 70 percent equity exposure, 30 percent fixed income.  
21 And were handsomely rewarded in 2009 with the best performance  
22 of the Common School Fund over the past 11 years; a return of  
23 30.4 percent for the full calendar year, which is exciting in  
24 and of itself.

25 But additionally, that was 3.4 percent better than

1 the passive policy benchmark. As seven of our nine active  
2 equity managers exceeded their benchmarks and our two fixed  
3 income managers exceeded their benchmark, providing returns of  
4 approximately 20 percent each in fixed income, though their  
5 benchmark was in at 8.6 percent.

6 More broadly when we compare ourselves to other trust  
7 funds and you can parse the data a little a few different ways.  
8 But if you look at all trust funds less than \$5 billion in  
9 total assets, the Common School Fund's one-year performance  
10 would rank in the top two percent of those funds. In trust  
11 funds, that includes all funds that are custodied across the  
12 United State; pension funds, endowment funds are included in  
13 that. So it's not a perfect match but it's a nice benchmark to  
14 look at.

15 The last thing I want to point out is fiscal year to  
16 date through February the fund was up 18 percent. So all in  
17 all, good news. We continue to monitor the managers, which are  
18 also used in the portfolio. And we continue to build out the  
19 private equity portfolio on an opportunistic basis with the top  
20 tier managers at least that come back to market from the  
21 pension fund. And with that, if you have any questions, that  
22 concludes my remarks.

23 **SECRETARY OF STATE BROWN:** Questions?

24 **STATE TREASURER WHEELER:** Just if I may, a couple of  
25 brief questions. First of all, in looking at this,

1 understanding that you're reporting short-term financial gains,  
2 there's obviously some positive volatility on the upside. What  
3 about the downside? How did it perform in a down market, or  
4 was it in line with the market? Did it beat the market or the  
5 benchmark expectations? Were the losses more significant than  
6 the benchmark expectations? What was the flip side?

7 **DEPUTY MUELLER:** It is a portfolio that be given the  
8 allocation to equities at 70 percent. It has more volatility  
9 than typically. 2008 is probably a good view of how we handled  
10 volatility, given those markets. The Fund lost 32 percent in  
11 2008. The benchmark was down 30 percent. So we under-  
12 performed by two percent in 2008.

13 Prior to 2007 the portfolio was predominantly  
14 passively managed with active management and fixed income only.  
15 So for those prior eight years we slightly out-performed and it  
16 was typically on the order of 40 to 50 basis points. But it  
17 wasn't until recently that the Investment Council adopted a  
18 more active strategy beginning in 2007.

19 **STATE TREASURER WHEELER:** May I ask another question?

20 **SECRETARY OF STATE BROWN:** Please, go ahead.

21 **STATE TREASURER WHEELER:** What can you tell us about  
22 the longer-term returns relative to benchmarks say on a five  
23 and ten-year basis? Do you have that information readily  
24 available?

25 **DEPUTY MUELLER:** Yeah, it should be in page 3 of your

1 packet. And it's essentially the top line. Over longer time  
2 periods, 5, 7, 10 years, the Fund has been close to benchmark;  
3 slightly under-performing. But that under-performance can be  
4 entirely attributed to the 2007 and 2008 under-performance.

5 That is those individual years carried through into the  
6 longer performance. So the short answer is the sting of 2007  
7 and 2008 in terms of the longer-term performance has not yet  
8 been recovered; although 2009 was a phenomenal start on it.

9 **STATE TREASURER WHEELER:** And one final question, if  
10 I may, related to liquidity. Are there any considerations  
11 around liquidity in terms of how you're allocating this  
12 portfolio?

13 **DEPUTY MUELLER:** The distributions annually are \$50  
14 million. The portfolio is in the \$900 million to \$1 billion  
15 range presently. Typically there's enough income generated  
16 from the fixed income portfolio at a 30 percent allocation. And  
17 then we have regular rebalancing as well, which provides  
18 liquidity.

19 **STATE TREASURER WHEELER:** Great. Thank you.  
20 Appreciate it. Thank you.

21 **SECRETARY OF STATE BROWN:** I have no questions.  
22 Thank you very much.

23 **DIRECTOR SOLLIDAY:** Next up, Dr. Chris Goldfinger  
24 from OSU's College of Oceanic and Atmospheric Science to  
25 explain the report and progress of the seafloor mapping

1 project, which began in 2009 using fortunately the remaining  
2 funds from the New Carissa settlement that occurred back in  
3 2007. With that I'll turn it over to Dr. Goldfinger.

4 **DR. GOLDFINGER:** Thanks, Louise. Good morning.  
5 Almost completely unable to speak without slides. I've got a  
6 few slides.

7 **SECRETARY OF STATE BROWN:** Are both of those mikes  
8 on, is that why we're getting feedback?

9 **UNIDENTIFIED FEMALE VOICE:** One's recording --

10 **SECRETARY OF STATE BROWN:** Oh. Okay. All right.

11 **UNIDENTIFIED FEMALE VOICE:** I'm not sure where the  
12 feedback's coming from.

13 **DR. GOLDFINGER:** So you have a report dated in  
14 December and I'll give you a brief overview of this project and  
15 a few slides to go with it. So as most of you may know, the  
16 project to map the Oregon Territorial Sea is part of a larger  
17 project of West Coast Governors' Agreement on Ocean Health.  
18 And this project is aimed at multi-use. So tsunami hazards are  
19 of primary concern in the Pacific Northwest.

20 Alternative energy is another interest in the Pacific  
21 Northwest. Marine habitat science, of course, and marine  
22 reserves in the state are important. Coastal erosion and  
23 rising sea level are factors as well, and safety of navigation.  
24 So for all of these things, seafloor mapping at high resolution  
25 in the near-shore waters is a significant factor.

1           And we started this project really in 2006 with a  
2 scientific consensus statement that tried to grass roots this  
3 problem up to (phonetic) more visibility at that time. And  
4 then over the last couple of years we made numerous  
5 presentations to the Board and other groups within the State to  
6 try to launch this project and show that in fact the lack of  
7 basic data was hindering all of these aspects.

8           We made previous attempts in 2007 led by  
9 Representative Boone that did not pass. In 2009 though we hit  
10 maybe the perfect storm as the stimulus package happened and  
11 Louise found some leftover money from the New Carissa fund. And  
12 they came together, in fact the State funds leveraged  
13 considerable money from NOAA, the part of NOAA that does  
14 nautical charting, to contribute \$5 million additional, in  
15 addition to the \$1.3 million of the State funds to launch a  
16 \$6.3 million mapping program.

17           The structure of the program; State funds were  
18 initially going to be for both mapping and interpretation,  
19 generation of habitat maps off shore. When the stimulus funds  
20 went to NOAA that shifted a bit, NOAA deal works only with  
21 hydrographic contractors and they had to work through  
22 essentially the shovel-ready contracts that were already in  
23 place.

24           So actually \$5 million went to David Evans and  
25 Associates, a Portland company, to do that work. And our role

1 became mostly to generate the products from that, habitat maps  
2 and so forth, tsunami mapping and so forth. So the priority  
3 areas were decided by agency heads, ODFW, DSL, DLCD, and  
4 DOGAMI. And they focus on marine research sites, other rocky  
5 reef-bedded areas, wave energy sites and tsunami-vulnerable  
6 areas.

7           In addition to that we worked with David Evans to  
8 develop a training program for students. Seafloor mapping is  
9 sort of an archaic art and there are actually very few people  
10 that have this skill and Evans needed actually a pipeline to  
11 get these people. And so this worked out very well. So this  
12 is the priority plan that's underway now. It's a little hard  
13 to see but David Evans was assigned to do the northern half of  
14 the state.

15           And those colored blocks in there are the ones that  
16 were chosen as priorities. And most of those are now complete.  
17 They're probably at about the 90 percent. We had just last  
18 year phenomenally good weather so we're actually going to wind  
19 up getting more done than we thought we would by probably about  
20 ten percent. OSU will be working mostly in southern Oregon.  
21 This is a two-year project for this second field season this  
22 year.

23           And a second NOAA contractor, Fugo International is  
24 doing that small block in the south from crook point (phonetic)  
25 down to the California border. And that block's now complete.

1 So the vessels; trying to keep the State funds in house we used  
2 fishing vessels to extend the pit to do the work. On the left  
3 is the Pacific Storm. A fishing vessel was actually donated to  
4 OSU and converted into a research vessel, which mostly  
5 consisted of adding a lot more berth so that you could take a  
6 science party and crew of ten out, which is about minimum.

7 On the right is the Michelle Ann, a mixed-fisheries  
8 vessel from which we do ground trooping of the sonar data  
9 (phonetic). And here's where we stand so far. We've got 3250  
10 nautical miles. Previously we'd mapped about -- or ODFW had  
11 mapped about five and a half percent. In 2009 about 27 and a  
12 half percent was completed. And in 2010 we expect to do  
13 somewhere between eight and 12 percent more, leaving us at  
14 around 44 percent of the territorial sea.

15 So we'll be in pretty good shape with some large  
16 areas of sandy bottoms omitted. And but most of the rocky  
17 reefs will be covered. And we take a large number of bottom  
18 samples as we go to ground troop the mapping. And --

19 **STATE TREASURER WHEELER:** Could I ask; when you say  
20 ground trooping, what do you mean by that?

21 **DR. GOLDFINGER:** Well, the ultimate goal of this is  
22 to produce seafloor geology maps or habitat maps, if you will.  
23 And so we're mapping these with multi-beam and side-scan sonar.  
24 But we need to know what the actual bottom type is so that we  
25 can classify the area.

1           **STATE TREASURER WHEELER:** Oh. Okay.

2           **DR. GOLDFINGER:** So we just use grab sampling, camera  
3           tows, remote-operated vehicles and that sort of thing to get  
4           imagery and actual physical samples.

5           **STATE TREASURER WHEELER:** Excellent.

6           **DR. GOLDFINGER:** Thank you.

7           **SECRETARY OF STATE BROWN:** And while we're asking  
8           questions, are you able to get shallow -- is the boat able to  
9           go in shallow enough to get what we need to get inside six  
10          fathoms (phonetic)?

11          **DR. GOLDFINGER:** That's a good question. It's very  
12          weather dependent. The NOAA contract had been -- the signed  
13          contract said they needed to get into 20 deep -- the water. On  
14          the Oregon coast it's a matter -- sometimes a matter of safety  
15          going in that close. And so they do the best they can. But  
16          there will still be a strip left, especially along the rocky  
17          areas that's virtually impossible to get.

18          **SECRETARY OF STATE BROWN:** Okay.

19          **DR. GOLDFINGER:** Then it's just the grain (phonetic)  
20          size analyzer that we're using. And some of you can't see  
21          these. There's some really spectacular imagery. But some  
22          additional synergies that have happened is that the National  
23          Science Foundation is supporting the ocean, observing the  
24          initiative, which you may have heard of.

25                 It's a \$350 million project to basically wire

1 (unintelligible) the sensors. And some of the spinoff for that  
2 is some of those sites happen to be in state waters. And so  
3 not included in the statistics that I showed are these sites  
4 and one of them is right off Newport from the jetty up to  
5 Yaquina Head that's on the right. The other one's a little  
6 further offshore and about 80 meters.

7           And here's the red fish rocks (phonetic) area. This  
8 area actually got a little bit of a head start from the Port  
9 Orford group, who raised funds on their own. Sorry you can't  
10 see. This is off Cape Perpetua. One of the things that --  
11 well, you can't really see on this image. But we've discovered  
12 a lot of things, since most of these areas have never been  
13 finished before (phonetic). And it's quite interesting.

14           We're using fishermen to drive the boats and they're  
15 seeing things that they've never seen before but only had sort  
16 of a vague idea of what they look like. It's quite surprising  
17 the amount of -- a thick mobile sand layer (phonetic) that  
18 seems to move around from season to season. And but this will  
19 have a lot of implications for habitat and also for the agency  
20 siting (phonetic).

21           And this is the same day, they're just from top view,  
22 the left is side-scan sonar. The bright areas in this case are  
23 gravels and the dark areas are sand. We know now for sure that  
24 the configuration of these areas moves around seasonally and  
25 even storm by storm. And this is the haystack, Haystack Rock.

1 Next step's this spring we're working with the community  
2 actions teams with the Marine Reserves to help deliver some  
3 preliminary products for them to use.

4           The one slight downside to working with the NOAA  
5 contractors are, is they have an obligation to quality control  
6 that day unto the nth degree because they're liable for safety  
7 of navigation. So they can't release it early no matter how  
8 much we want those data for green reserves just because of  
9 that. But we do have all the data and we do release  
10 preliminary products from them and imagery; just not the data  
11 themselves.

12           So we're trying to produce very rough preliminary  
13 products I think community action teams can use in their  
14 deliberations about green reserve sites. So those are almost  
15 done now and will be delivered by the end of the month. At the  
16 end of day we'll deliver a few other products like preliminary  
17 habitat maps and marbled disbursal (phonetic) models that are  
18 partially supported by Packard (Phonetic) Foundation to the  
19 community action teams.

20           And then June through October is our second season of  
21 field work so we'll be continuing mapping work, in-tow camera  
22 work and so forth, ground troop. And David Evans has that  
23 little inshore strip to complete that they didn't complete last  
24 year. So they're mobilizing a shallow-water vessel to do that.

25           **SECRETARY OF STATE BROWN:** Okay.

1           **DR. GOLDFINGER:** And finally, when the NOAA  
2 contractor finishes their data we expect approximately to  
3 release the final data by about early spring next year. I  
4 think that's all I have. Thank you.

5           **SECRETARY OF STATE BROWN:** Any other questions,  
6 Treasurer Wheeler?

7           **STATE TREASURER WHEELER:** No, thanks.

8           **SECRETARY OF STATE BROWN:** Thank you very much.

9           **DR. GOLDFINGER:** All right.

10          **SECRETARY OF STATE BROWN:** I guess no questions.  
11 Appreciate your presentation. It's really interesting.

12          **DIRECTOR SOLLIDAY:** Next we have Jessica Keys from  
13 the Governor's office who will be providing an update on the  
14 West Coast Governors' Agreement on Ocean Health. Good morning.  
15 Welcome.

16          **MS. KEYS:** Thank you. Nice to see you.

17          **STATE TREASURER WHEELER:** Likewise.

18          **MS. KEYS:** Thanks very much for inviting me to be  
19 here today. It was actually Secretary Brown that mentioned an  
20 update on the West Coast Governors' Agreement might be  
21 appropriate for the Land Board. So I'm pleased to do that. A  
22 brief overview of my talk, history of the West Coast Governors'  
23 Agreement; although we do have a handout in your booklet that  
24 talks about the agreement.

25                 Second, highlight the priority issues and actions;

1 third, the structure for implementation of the agreement;  
2 fourth, examples of early successes; fifth, the funding into  
3 the West Coast Governors' Agreement; and then finally what the  
4 future holds for this effort.

5           So first, a brief history of the West Coast  
6 Governors' Agreement on Ocean Health; in 2003 and 2004 two  
7 separate national level commissions released recommendations on  
8 how to improve ocean management. And both bodies emphasize that  
9 states working together in a regional manner would improve the  
10 way our oceans are managed. In response to this call for  
11 regional ocean management in September of 2006 Governor  
12 Kulongoski was joined by California Governor Schwarzenegger and  
13 Washington Governor Gregoire in launching the West Coast  
14 Governors' Agreement on Ocean Health.

15           And the purpose of this new proactive effort was and  
16 still is to protect and manage the ocean and coastal resources  
17 along the entire west coast. The geographic scope of the West  
18 Coast Governors' Agreement is the California current large  
19 marine ecosystem. The California current circulates off the  
20 coast of the west coast and literally provide the natural  
21 boundary for our focused effort.

22           The governor has identified seven issues where  
23 working collaboratively would accomplish more than a single  
24 state could. You have those in your binder. But briefly they  
25 are insuring clean coastal waters and beaches; protecting and

1 restoring ocean and coastal habitats using ecosystem-based  
2 management; reducing adverse impacts of offshore energy  
3 development; increasing ocean literacy; expanding marine  
4 research; and fostering sustainable economic development in  
5 coastal communities.

6 In addition to identifying those seven priority areas,  
7 the Governor has called for an action plans to be developed  
8 around those topics. And after drafts were developed and  
9 several rounds of public involvement occurred through public  
10 comments and public meetings, a final action plan was released  
11 for the West Coast Governors' Agreement in July of 2008.

12 And in terms of some of the actions in the action  
13 plan, oh, I didn't bring it up but actually brought a copy of  
14 it for you. There are 26 bold actions in the plan. For  
15 example, mitigating and adapting to climate change; promoting  
16 low-impact development in our coastal areas; evaluating  
17 potential environmental impacts of offshore renewable energy  
18 development such as wave energy; reducing marine debris;  
19 promoting clean marinas and green ports.

20 And as you learned recently from Chris, completing a  
21 seafloor map for the west coast territorial seas by the year  
22 2020. So in terms of the structure for the West Coast  
23 Governors' Agreement, each state has a lead staff  
24 representative, and I represent Oregon. In addition you have  
25 three strong federal co-leads who were selected by the White

1 House Council on Environmental Quality in 2006. And they  
2 represent the Environmental Protection Agency, the Department  
3 of the Interior; although the person on the committee is  
4 actually representing the management services, been very  
5 helpful in terms of looking at renewable energy on the coast.

6           And also we have a representative for the Department  
7 of Commerce. She works for NOAA, the National Oceanic and  
8 Atmospheric Administration. So our partnership, these three  
9 federal and three state representatives, comprise the Executive  
10 Committee of the West Coast Governors' Agreement on Ocean  
11 Health. And the Executive Committee in turn works with ten  
12 action coordination teams or ACTs, which are diverse workers  
13 consisting of a mix of state, federal, private, tribal,  
14 academic and nonprofit interests working on specific issues and  
15 actions called for in the 2008 action plan.

16           And ACT members are experts in their field, and they  
17 strive to connect other stakeholders and members of the public  
18 into the implementation of the action plan. And Chris is  
19 actually on the seafloor mapping ACT. He's done a great job  
20 representing Oregon on that. Examples of early successes; on  
21 top of my list is usually seafloor mapping. And as you can see  
22 by Chris' demonstration, we've really done quite a bit in  
23 Oregon to meet that goal of 100 percent by 2020, to imagine we  
24 are five percent of our territorial sea map when this action  
25 agreement started.

1           In less than two years it looks like we'll be up to  
2 over 40 percent. So I think we're well on our way there.

3 Another success is the west coast governors called for  
4 exploring the feasibility of offshore renewable ocean energy  
5 development, and evaluate potential environment effects of  
6 these new technologies. In 2008 a successful workshop on  
7 offshore energy was held in Portland. It attracted the energy  
8 industry; fishermen, conservation groups, local decision makers  
9 and state and federal policy makers and regulators.

10           The information shared and the strategic efforts  
11 undertaken during that workshop set the stage for quick  
12 progress on understanding these new uses of the ocean, and  
13 their government structures needed to support their sustainable  
14 development over the west coast. Our federal partners have  
15 continued to provide extensive technical support and financial  
16 support when possible to continue this west coast dialog.

17           And then the third success I'd like to highlight  
18 pertains to climate change. As a direct result of the interest  
19 and investment of the three states, a National Academy of  
20 Sciences study will be developed for the west coast, which  
21 focuses on anticipated sea level rise. And having comparable  
22 data for the region will enable coastal communities to be more  
23 prepared for the effects of rising ocean levels on their  
24 beaches, their fragile bluffs, their shifting estuaries and  
25 their roads in a critical infrastructure.

1           Funding for the West Coast Governors' Agreement; as  
2 you probably noticed, these are big, bold actions. And many of  
3 them cannot be accomplished without any funds. To date we have  
4 been fortunate to have been able to move forward on many of the  
5 actions without a direct appropriation from Congress. For  
6 instance, here in Oregon, as you may recall, funds from the New  
7 Carissa settlement that were left over were used for seafloor  
8 mapping as well as for marine habitat protection through the  
9 Marine Reserve process, which is great; really appreciate that.

10           And then in July of 2009 NOAA awarded a \$700,000  
11 stimulus grant to the Oregon Department of Fish and Wildlife  
12 for removal of 180 metric tons of derelict Dungeness crab pots  
13 and other fishing debris. And nearly 90 percent of those funds  
14 will go to create or maintain 48 jobs, of those 31 are parted  
15 (phonetic) for commercial fishermen. And California has also  
16 contributed funds for us to hire our first project coordinator.

17           The announcement for that position is actually out  
18 right now, if you know anybody please let me know. And this  
19 person will provide project management, strategic planning  
20 services and administrative support for the West Coast  
21 Governors Agreement Executive Committee. But I must admit I  
22 was thrilled when finally the West Coast Governors' Agreement  
23 received an earmark; the bad word the "earmark" but we  
24 desperately needed one. And this is our first direct  
25 appropriation from Congress.

1           And really thanks to the Harbor West Coast  
2 Congressional Delegation; we received \$500,000 in NOAA's FY '10  
3 budget. As we speak we're setting the structure for  
4 distributing those funds so that worthy regional projects can  
5 get started once NOAA delivers the money. And finally, we have  
6 something to provide our hard-working ACTs who have been  
7 identifying the critical steps needed to implement the West  
8 Coast Governors Agreement Action Plan.

9           As \$500,000 is relatively small in comparison to the  
10 \$5 million that another regional ocean partnership has received  
11 for many years; the Gulf of Mexico line. But this award truly  
12 indicated that the West Coast Governors' Agreement has arrived.  
13 And it's a valuable structure for implementing ocean management  
14 on the west coast. So what does the future hold for the West  
15 Coast Governors' Agreement?

16           April is looking to be a pretty historic mark for  
17 oceans actually. And any day now, President Obama will be  
18 receiving high-level recommendations from a federal body called  
19 the Interagency Ocean Policy Task Force. And I had the chance  
20 to represent the West Coast Governors' agreement on a panel  
21 speaking to the Ocean Policy Task Force in San Francisco, which  
22 is chaired by the White House Council on Environmental Quality.

23           And Jane O'Chinko, who's the head of NOAA, was also a  
24 part of that presentation. And at the time I expect concern  
25 that what was lacking was "a framework" that helps the states

1 and their federal partners institutionalize regional ocean  
2 governance (phonetic) for the long term. But the day has  
3 finally come for regional ocean partnership, like the West  
4 Coast Governors' Agreement.

5           We anticipate that President Obama will identify  
6 regional interim partnership as a key mechanism for appointing  
7 federal ocean priorities pretty soon. One priority that has  
8 emerged recently through the work of that ocean policy task  
9 force is called marine spatial planning. The ocean policy task  
10 force sets up marine spatial planning, identifies areas most  
11 suitable for various types or classes of activities in order to  
12 reduce conflicts among uses, reduce environmental impacts,  
13 facilitate compatible uses and preserve critical ecosystem  
14 services to meet economic environmental security and social  
15 objectives.

16           And I believe in your booklet is a copy of the letter  
17 that Governor Kulongoski sent to the ocean policy task force on  
18 marine spatial planning. And while the West Coast Governors'  
19 Agreement in its 2008 action plan does not mention marine  
20 spatial planning because it's a fairly new policy concept,  
21 several of our actions are linked to this concept.

22           So for example action 2.1 calls for us to document,  
23 describe and map marine and estuarine ecological communities  
24 throughout the west coast waters, characterize existing human  
25 uses of those areas, and establish measures to assure effective

1 habitat protection. So that fits very well for marine fishing  
2 planning ideas (phonetic).

3 And the White House has showed its commitment  
4 supporting regional ocean partnerships by inserting \$20 million  
5 into NOAA's FY '11 budget. NOAA did not present that to the  
6 president. DEQ and the Office of Management and Budget  
7 actually inserted that into NOAA's budget for FY '11. And then  
8 I can say that the West Coast Governors' Agreement played a  
9 role in getting that money in there. Trips back to D.C.,  
10 meeting with Nancy Suttley (Phonetic) with DEQ and with Jane  
11 O'Chinko and those folks.

12 And I think that we will play a key role in  
13 developing how those \$20 million will be distributed among the  
14 regions. It will be a competitive basis. But I really think  
15 that the West Coast Governors' Agreement is well positioned to  
16 capitalize on those funds, largely because of the leadership  
17 that Oregon has played in developing and implementing the goals  
18 of the West Coast Governors' Agreement.

19 So in conclusion I think you can tell that I'm pretty  
20 proud of the West Coast Governors' Agreement, and it's been a  
21 great honor being able to serve the Governor on this body. And  
22 I greatly appreciate his vision and passion for these issues  
23 himself. I'm also grateful for the participation of the State  
24 agencies here in Oregon. Louise Solliday has been a great  
25 contributor in terms of moving the agreement goals forward.

1           And I hope that the State Land Board will continue to  
2 track this agreement and be willing to engage that  
3 opportunities present themselves in the future. I'm happy to  
4 answer any questions you might have.

5           **SECRETARY OF STATE BROWN:** Two quick ones, Jessica.  
6 I know obviously California is doing the seafloor mapping. Is  
7 Washington moving forward on that as well?

8           **MS. KEYS:** That's right. I believe it's primarily in  
9 the Olympic National Marine Sanctuary, which actually provides  
10 a significant amount of the outer coast for Washington.

11          **SECRETARY OF STATE BROWN:** Okay. And is Washington  
12 moving forward on wave energy projects?

13          **MS. KEYS:** The focus has been primarily on tidal  
14 energy. So capturing the movement of the water that comes in  
15 and out with the tides, but yes, they are pressing (phonetic).  
16 But I think in terms of wave energy, Oregon is certainly the  
17 leader on that.

18          **SECRETARY OF STATE BROWN:** Okay. Treasurer Wheeler.

19          **STATE TREASURER WHEELER:** Just one question related  
20 to that; what is the status of planning around wave energy? I  
21 understand that Oregon Ironworks is in the process of building  
22 new wave energy buoys. Is that the prototype or where are we  
23 actually in terms of planning, getting real data?

24          **MS. KEYS:** You know, actually Len Bergstein  
25 (Phonetic) is with Ocean Power Technology. And I'm sure he'd

1 be happy to talk to after this meeting about that.

2           **STATE TREASURER WHEELER:** Good.

3           **MS. KEYS:** Ocean Power Technology has two sites off  
4 the coast of Oregon that they're looking to develop off the  
5 coast of Reedsport and then Coos Bay. So the first buoy is  
6 being developed by Oregon Ironworks right now. I believe it's  
7 anticipated to be in the water before the end of this year with  
8 an additional nine buoys to be put in following that. And that  
9 one is off the coast of Reedsport so yes --

10           **STATE TREASURER WHEELER:** And then what's the  
11 timeframe in terms of getting information back on that test  
12 project in terms of whether it's viable and what the  
13 environmental impact is and what the energy generation capacity  
14 is? Is there a target date for that or a plan for that?

15           **MS. KEYS:** No, we're actually talking about the  
16 studies that are needed right now. The State has engaged in  
17 designing the types of studies that are needed in terms of  
18 impacts on sediment transport, the waves themselves, habitat.  
19 And so they will be phased out over seven years, but get them  
20 going as soon as that buoy goes in.

21           **STATE TREASURER WHEELER:** Great. Thank you.

22           **SECRETARY OF STATE BROWN:** Thank you very much. We  
23 really appreciate your hard work on that, and appreciate the  
24 update.

25           **MS. KEYS:** Thank you.

1           **DIRECTOR SOLLIDAY:** I just might mention as follow-up  
2 to that. We do have an -- we did receive an application for  
3 OPT to put the single buoy in the bend (phonetic) and put in  
4 this year. And we'll get a subsequent application to expand  
5 that out to ten buoys for 2011. And I think as soon as they  
6 get that buoy in we will start getting information or we will  
7 start getting that information from that single buoy and  
8 continue to get additional information when we get a larger set  
9 of buoys into that water.

10           **STATE TREASURER WHEELER:** Great. Thank you.

11           **SECRETARY OF STATE BROWN:** Could you talk a little  
12 bit about the revenue that might accrue to the Common School  
13 Fund as a result of these projects?

14           **DIRECTOR SOLLIDAY:** The Land Board adopted wave  
15 energy rules in 2008, I think, which are based on our rules for  
16 fiber optic cables. And the rules leave open the question of  
17 revenue. We wanted to encourage these companies to get in and  
18 test the waters, see if wave energy is feasible. And so we'll  
19 have a conversation with the companies once we get to a point  
20 where they're going to be commercially selling power.

21           Many of our rules have us charging about three  
22 percent of gross revenues for power projects on our upland  
23 parcels so we would probably be looking at something along  
24 those lines. We don't know what that revenue is going to be  
25 yet so I'm not sure. It'll be -- long-term potential will be

1 fairly significant revenues.

2           **SECRETARY OF STATE BROWN:** Thank you. Next item.

3           **DIRECTOR SOLLIDAY:** Right. Next item, it just got  
4 three updates here; one is an update on litigation related to  
5 navigability. We had three lawsuits filed against the State,  
6 one of which I'd call a friendly lawsuit. The other two are  
7 not so friendly. But first is a challenge to the decision by  
8 the Land Board to declare a section of the Rogue River  
9 navigable.

10           That case -- the oral arguments for summary judgment  
11 occurred a week ago yesterday. The briefing on those summary  
12 judgment motions concludes tomorrow. And we await decision  
13 from the judge in Jackson County Circuit Court on the motions  
14 for summary judgment. The trial is scheduled for June in that  
15 case. And that's the Hardy case.

16           The second case is the McCormick (Phonetic) case,  
17 which is a lawsuit that was -- quiet title suit that was filed  
18 against the State by a landowner on the North Umpqua. That  
19 trial is scheduled for October of this year. And so we'll see  
20 how that goes. And what they're trying to do is quiet any  
21 claim the State may have to ownership of the beds and banks of  
22 the North Umpqua in the area where these properties are  
23 located.

24           And then the third suit, which is the friendly suit,  
25 was a quiet title suit that was filed against us on the middle

1 fork of the Willamette River for a parcel of land that Lane  
2 County had on their tax roles as being owned by the State, but  
3 which we had no records of ever owning. And so we came to an  
4 agreement with the Willamette Lane Recreational District that  
5 they would just simply file a quiet title suit against us.

6 And we would stipulate to the fact that we were not  
7 the owner of the land and had no claim to that parcel. And  
8 this allowed them to complete or they're not done with it yet,  
9 but to develop a trail along the middle fork of the Willamette  
10 River. And I'd be happy to answer any questions on those if  
11 anybody has them.

12 **SECRETARY OF STATE BROWN:** They don't apparently.

13 **DIRECTOR SOLLIDAY:** Yeah, that's fine. It's  
14 litigation and we'll see where things come down. Just wanted  
15 to update the Board on activities at South Slough related to  
16 acquisitions that they are pursuing. There are a number of  
17 them underway. One which they just received a grant for and  
18 that is to purchase a couple of parcels that are within the  
19 South Slough reserve boundaries that are Common School Fund  
20 trust land.

21 And this is to compensate the Common School Fund for  
22 the fact that we won't be harvesting timber off of those lands.  
23 So they'll be purchasing South Slough. We'll actually be buying  
24 land from ourselves. South Slough will be purchasing the lands  
25 from the Common School Fund and transfer those lands into

1 special stewardship status out of forestland status.

2           And they've received a federal grant for that and  
3 they have matching funds from what's called a Gustafson  
4 account, which is money that was bequeathed to South Slough  
5 several years ago for the purpose of expanding the boundaries  
6 of the reserve. The second set of acquisitions that we are  
7 pursuing are the two timber companies; Plumb Creek and Roseburg  
8 Forest Products, a little over 1100 acres altogether that are  
9 adjacent to the current boundaries of the reserve.

10           We've applied for a federal grant from the CELC  
11 Program, which is the Coastal and Estuarine Land Conservation  
12 Program. We won't know about that grant until sometime next  
13 year. Again, if we are successful in getting that grant, we  
14 would match the funds from the Gustafson account to provide the  
15 amount of federal share for purchase of those acres.

16           And both of those timber companies have been in  
17 ongoing discussions with staff itself over a number of years  
18 about disposing of those parcels as they identified them for  
19 disposal within each of the respective companies. And the  
20 third piece is, I think as some of you know; South Slough's  
21 been looking for awhile to move their administrative offices  
22 out of the interpretive center, which is sort of isolated out  
23 in the middle of the reserve, and down into Charleston where  
24 they would have more of a public basin (phonetic), a better  
25 place to interact with the public.

1           And we have been talking with the Oregon Institute of  
2 Marine Biology and other parties in the Charleston area about  
3 co-locating all of our staff in a single ocean or coast center  
4 located on the campus of the Oregon Institute for Marine  
5 Biology in Charleston. And ODFW is looking for new office  
6 space for their staff; Sea Grant, the Coos Watershed  
7 Association, our staff along with OMB staff. And so there is an  
8 Oregon Solutions project that was directed by the Governor,  
9 which Senator Berger and Representative Roeglin are the  
10 (unintelligible). And we have working on a project to try and  
11 relocate the administrative offices.

12           While this larger discussion is going on about the  
13 ocean and coast center in Charleston and the possibility of  
14 building such a center on the OMB campus, the parcel  
15 immediately adjacent to the OMB campus came on the market. And  
16 we worked with the University of Oregon Foundation to come to  
17 an agreement where we would share in the purchase of that  
18 parcel, which is about 3.2 acres.

19           It has a couple of houses on it, one of which will  
20 work as the administrative offices for South Slough to get them  
21 down in the short term until the longer discussion about an  
22 ocean and coast center in Charleston concludes somewhere down  
23 the road. So the University of Oregon has already signed an  
24 agreement of sale for the parcel. We already have money that  
25 we got from a note wrapped up in 2001 that they've allowed us

1 to continue to extend over this period of time, which will pay  
2 for our 50 percent of the cost of that property.

3           So that's the particular purchases moving forward.  
4 And then just the fourth thing I wanted to mention is South  
5 Slough has been looking at the carbon market as a place to  
6 generate revenue that may help also extend the boundaries of  
7 the slough. We have within the last year or so the South  
8 Slough Commission as adopted a forest management plan for the  
9 reserve. And a part of that indicates that we have areas that  
10 are under stocked (phonetic) and are pretty much filled with  
11 brush and could be restored to native habitat.

12           And so we have been having conversations with the  
13 Oregon Climate Trust about a way that we could package up some  
14 restoration work on the existing reserve, possibly purchase  
15 some additional land using the sale of carbon credits to  
16 finance that. So just wanted to let you know that there's a  
17 lot of activity going on at South Slough. And as these  
18 acquisitions move forward we'll be bringing them to the Land  
19 Board for final approval. I'd be happy to answer any questions  
20 about that.

21           And then just the last thing I wanted to mention is  
22 February 2nd we had much more activity than I was anticipating.  
23 But at the end of the day only two bills passed that have  
24 anything to do with us directly. One was an extension of a  
25 moratorium on gas exploration off the coast of Oregon, which

1 was extended until January 2nd of 2020 in a House Bill 3613.

2           And the second was the appropriations and a  
3 limitation that we got out of House Bill 5100, which was an  
4 other funds (phonetic) appropriation of about \$1.2 million and  
5 a general fund appropriation of about \$2.8 million. This is to  
6 pay for our expenses related to Portland Harbor. Those are  
7 legal expenses at DOJ and are expenses associated with a  
8 contract with a forensic expert to analyze the 79 parcels that  
9 we have involved in the Portland Harbor Super Fun Site  
10 (Phonetic) in terms of sediment remaining above, through and  
11 downstream of our parcels along with other analyses that we  
12 will need for our defense in the discussions about allocation  
13 of costs related to cleaning up Portland Harbor.

14           So very important money for us. The reason we got  
15 general fund, which is a little unusual for DSR general fund in  
16 the budget is this is an expense that's inappropriate for use  
17 of constitutional remedies. And our statutory revenues are not  
18 holding up very well in the economic climate that we're in.  
19 And so we did not have enough statutory revenue left in the  
20 Common School Fund.

21           And I just might remind the Board the Legislature has  
22 swept the balance of the statutory revenue out of the Common  
23 School Fund once in 2003. They swept 50 years of accrual,  
24 about \$17.7 million. The money went to fund schools during the  
25 economic downturn. And money was swept again in the 2009

1 session. They took the remaining New Carissa funds that were  
2 not being used for the seafloor mapping and for the marine  
3 reserve work at ODFW.

4 So I think we've now shown the legislative fiscal  
5 office that sweeping statutory revenue from the Common School  
6 Fund really doesn't make a whole lot of sense because it puts  
7 us in a position of having to come in and ask for general  
8 funds, which they prefer us not do. So hopefully they won't do  
9 that in the future. But we'll see. And with that, I'd be  
10 happy to answer any questions. I have no other business.

11 **STATE TREASURER WHEELER:** Just one question on that  
12 issue.

13 **SECRETARY OF STATE BROWN:** Treasurer Wheeler.

14 **STATE TREASURER WHEELER:** Thanks. Thank you,  
15 Secretary Brown. In terms of statutory funding currently in  
16 the Common School Fund, my understanding is it's very limited.  
17 Is that true?

18 **DIRECTOR SOLLIDAY:** That is correct, Treasurer  
19 Wheeler.

20 **STATE TREASURER WHEELER:** Okay. Thank you.

21 **SECRETARY OF STATE BROWN:** Well, Louise, thank you  
22 and your staff for your hard work. Other testimony?

23 **DIRECTOR SOLLIDAY:** I don't think we have any today.

24 **SECRETARY OF STATE BROWN:** Okay. All right. No one  
25 signed up. Okay. Great. Thank you for your hard work and for

1 your staff as well. It's a great job and we hope that Governor  
2 Kulongoski gets better quickly so --

3           **DIRECTOR SOLLIDAY:** I want to thank Julie Curtis, who  
4 oversees the awards efforts, does a lot of work organizing  
5 review teams, getting the applications in and getting  
6 everything set up so thanks to Julie for all that work.

7           **REPRESENTATIVE BOONE:** And the Lillian Pitt mask is  
8 just perfect for this award ceremony so we really appreciate  
9 that.

10           **STATE TREASURER WHEELER:** It's really cool.

11           **SECRETARY OF STATE BROWN:** Great. All right.  
12 Representative Boone.

13           **REPRESENTATIVE BOONE:** For the record, Deborah Boone,  
14 State Representative, House District 32. And I'm doing this  
15 because I was late today. And on the way in Senator Betsy  
16 Johnson had called and asked me to please relay her regrets for  
17 not being here as well. So it didn't seem appropriate while we  
18 were getting our picture taken to do that. So thank you for  
19 this opportunity. She would have been here if she had been  
20 able.

21           **SECRETARY OF STATE BROWN:** Thank you, Representative  
22 Boone. We appreciate that and we'll think of Senator Johnson  
23 in abstentia. So we know she does good constituent work. All  
24 right. With that, we are adjourned.

25

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

CERTIFICATE

I, Jayne Rosamond, hereby certify that I am an electronic transcriptionist for Business Support Services of Salem, Inc., that as such electronic transcriptionist I prepared from an electronic recording provided by Business Support Services, Inc., the foregoing typewritten transcript of the meeting had upon the matter at the time and place set forth in the caption hereof; and that the foregoing pages, which are numbered 1 through 41, both inclusive, are the true, accurate and complete transcript of the proceedings adduced had upon the said meeting.

WITNESS my hand as electronic transcriptionist this 19th day of April 2010.

\_\_\_\_\_  
Jayne Rosamond, Transcriptionist

jr/jr