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STATE LAND BOARD MEETING

December 14, 2010

State Lands Building

775 Summer Street NE, Salem, Oregon

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1 what the review finds.

2 The third item on the Consent Agenda is a request for
3 authorization to initiate two rule-making processes related to
4 super fund remedial actions. The first deals with the lower
5 Willamette River management plan, which the Land Board adopted
6 in 1992. It had some provisions in it that makes it difficult,
7 if not impossible to implement potential cleanup remedies in
8 the Portland Harbor super fund site area. And so we wanted to
9 look at amending that particular set of rules to deal with that
10 situation.

11 And then the second set would be a brand new set of
12 rules that would set up a process and pricing for the sale,
13 lease, or easement of parcels of land that are affected by
14 remediations under cleanup orders, either from the Department
15 of Environmental Quality or the Environmental Protection
16 Agency.

17 We fully expect to set up rules, advisory committees
18 on these rulemakings and go through a public process as
19 required under the Administrative Procedures Act.

20 And then the third request on the Consent Agenda item
21 is a request to place on the Natural Heritage Register three
22 parcels. The first is a site owned by the Nature Conservancy
23 in Yamhill County. It is the Yamhill Oaks -- within the
24 Yamhill oaks conservation area. It's the largest block of oak
25 woodland and savannah remaining in the Willamette Valley. And

1 the Nature Conservancy is the owner of the site, and has
2 requested placement of this property on the registry.

3 The second is also owned by the Nature Conservancy,
4 and this is one of the recent acquisitions, of 1271.94 acres at
5 the confluence of the middle fork and the coast fork of the
6 Willamette River in Lane County. It's a site that was
7 historically mined for gravel. Once the site is restored it
8 will provide important habitat for Willamette River Chinook and
9 federally endangered Oregon chub. Both species that are listed
10 on the federal endangered species list.

11 And the third site is owned jointly by the Wetlands
12 Conservancy and the Oregon State Parks Department. This is the
13 663.6 acre parcel within the Beaver Creek basin. The area
14 supports a wide variety of migratory and resident birds and
15 waterfowl, contains habitat elements critical to salmon
16 populations.

17 And Governor, I just might point out this the area
18 where you dedicated the new state park recently.

19 **GOVERNOR KULONGOSKI:** It's just a beautiful area. I
20 wish more Oregonians would go over and see it.

21 **DIRECTOR SOLLIDAY:** And staff recommends approval of
22 the Consent Agenda. And you have a couple of people who want
23 to speak on Item 1b.

24 **GOVERNOR KULONGOSKI:** Okay. Let me -- it is your
25 pleasure that we hear the people that want to speak, and then

1 have any comments among us after that? I have -- I'm going to
2 try to get this right. I have three people who want to speak
3 on 1b. And that is -- so everyone else here is -- this is the
4 item on the Consent Agenda that is the request for approval to
5 initiate the review and determination of the sale or exchange
6 of up to 24 scattered forest parcels in Jackson and Josephine
7 Counties.

8 If I understood Ms. Solliday, this is not something
9 that we have made a determination on yet. It is merely to go
10 forward with the review of that to see if they should be sold.
11 Is that correct?

12 **DIRECTOR SOLLIDAY:** (No audible response.)

13 **GOVERNOR KULONGOSKI:** With that, Mr. Durr, and
14 Natasha -- is it Holten (Phonetic)? And Samantha Surrilo
15 (Phonetic)? Please. Why don't you three come up first?

16 **MS. Chirillo:** Thanks. My name is Samantha Chirillo,
17 and I'm co-director of Cascadia's Ecosystem Advocates. I have
18 a letter --

19 **GOVERNOR KULONGOSKI:** Could you do me a favor? Each
20 one of you, could you give me your address so that they can
21 ever get in contact with you -- or contact you, on the record?

22 **MS. CHIRILLO:** Yeah, it's 3930 East 17th Avenue,
23 Eugene, 97403.

24 **GOVERNOR KULONGOSKI:** Thank you.

25 **MS. CHIRILLO:** I have a letter here to -- to give you

1 on behalf of our organization and others who are -- who is to
2 the -- these land exchanges.

3 And according to -- based on the item that's on the
4 agenda, a lot of these parcels that are being considered for
5 sale or trade contain old growth. They serve as key components
6 of a connected and continuous ecosystem. I made a landscape of
7 BLM and private forest clear cuts.

8 We -- as came out in November 21st, in the *Register*
9 *Guard*, and December 11th in the *Oregonian*, there are a lot of
10 questions being raised about the process under which these land
11 exchanges are being conducted.

12 In Lane County, the county commissioners were not
13 properly notified, and did not have the opportunity to -- to
14 approve or reject these sales. From my conversations with the
15 Department of State Lands, there have not been public hearings
16 for these land exchanges, and there have not been biological
17 assessments for listed species. Yet, the state law requires
18 you to do all of these things, and the biological assessment
19 would be required under the Endangered Species Act.

20 Furthermore, just as someone who is sitting on the
21 State Land Board, Larry Gustina, a relative of the owner of
22 Gustina Timber Company, they -- they acquired some of the
23 parcels in Lane County, and immediately proceeded to log them
24 without due -- due process under the law. We are concerned
25 about the same thing happening with this set of parcels, as

1 there is a timber company owner on the Board of Forestry, which
2 is part of this whole decision-making process.

3 And we are asking for a moratorium on any further
4 land exchanges. So please put on hold this set that you have
5 for Josephine and Jackson Counties.

6 And I'd just like to deliver the letter that I have.

7 **GOVERNOR KULONGOSKI:** Do you want to get --

8 **SAMANTHA CHIRILLO:** And that's all. I'll turn it
9 over.

10 **MS. HOLTSMANN:** Natasha Holtmann, 1894 Harbor Drive,
11 Springfield, Oregon 97477.

12 As stated, there as been a (unintelligible) of
13 possible illicit activity regarding the land exchange and the
14 procedure that it require -- that is required by ordinances to
15 facilitate in the process of the land exchanges. And a lot of
16 the land that is being exchanged is very important for
17 maintaining our climate in this area. And in keeping the
18 diversity of the state, and also, just the livelihood of many
19 of the people.

20 A lot of the parcels are either near or a part of
21 waterways which are drinking water for many people. And so
22 that is a great health concern, because a lot of activity
23 that's occurred in parcels that have been already exchanged has
24 been heavily industrialized, you know, with pesticides, and
25 also heavy machinery going in and using the land for timber

1 harvest, so that's a great concern.

2 And I also advocate for a moratorium on any further
3 land exchanges due to the fact of the ecological impacts.

4 Thank you.

5 **GOVERNOR KULONGOSKI:** Thank you. Mr. Durr.

6 **MR. DURR:** Good morning. Thank you for giving us the
7 time to speak. My name is Joel Durr, D-u-r-r. My address is
8 1680 Walnut Street, Eugene, Oregon 97403.

9 And I didn't know where exactly this would fit in. I
10 figured this would be one of the best places in the agenda.
11 It's generally a reiterance (phonetic) of what my colleagues
12 have been saying.

13 As an Oregonian, I'm simply generally concerned with
14 the way that land holdings and sales of timber have been going.
15 I believe that there's an insufficient amount of ecological
16 assessment beforehand and afterwards. I believe that we need
17 to be much more careful in how we manage and sell these lands,
18 and what we use them for, and how we harvest them.

19 I don't believe that the way that we're doing this
20 right now is in fact sustainable, what I see as being more
21 appropriate being -- instead of complete harvest and then
22 replanting, being successive harvest on a smaller scale to let
23 the ecosystems -- what would you say, cope better. And better
24 assessment before, during and after to make sure that what
25 we're doing isn't harming our ecosystems. In part --

1 considering the importance that it plays in the watershed
2 system, in which is where Oregonians get their drinking water,
3 I also believe that we're seeing a trend towards less public
4 involvement in these processes, which concerns me, which is one
5 reason why we came here, to express my concern over that.

6 And simply, that I would also advocate for a mora --
7 a moratorium on these sales until a more careful scrutiny in
8 public scrutiny could be introduced in the process.

9 **GOVERNOR KULONGOSKI:** Thank you very, very much. Any
10 questions? Hearing none. Thank you.

11 **UNIDENTIFIED MALE VOICE:** Mr. Chairman, if I may?
12 This is the item that I came up here --

13 **GOVERNOR KULONGOSKI:** Okay, Gordon.

14 **MR. ROSS:** Thank you. I -- I -- if I could sit
15 down --

16 **GOVERNOR KULONGOSKI:** Oh, no, please. Please sit
17 down.

18 **MR. ROSS:** I wish that you not put a moratorium on
19 the --

20 **GOVERNOR KULONGOSKI:** You've got to speak into the
21 microphone because they're doing a recording.

22 **MR. ROSS:** Yeah. That I'm not -- that you not put a
23 moratorium on -- because in Coos County, of course, land
24 exchanges is what built the Elliott State Forest. In fact, the
25 Elliott State Forest is -- it -- the -- it would have been our

1 road money had -- had it not been built or established. And
2 the fact is, we have some of the hardest roads. We have 101
3 bridges, and we also have more miles of gravel road.

4 What I wanted to bring out was the fact that the --
5 the forest trust lands now could be -- could partly compensate
6 for that. I would like to hopefully carry through the -- the
7 legislative process this coming year, an opportunity to
8 transfer those 7000 acres of forest trust lands -- that we
9 might be able to dedicate that to roads in Coos County.

10 And thank you for allowing me to speak.

11 **GOVERNOR KULONGOSKI:** Thank you. Thank you. Just a
12 second. Marcie, I saw you. I couldn't tell on here, is this
13 the item you wanted to speak on, or that you signed up for?

14 **MS. DENISON:** (Unintelligible).

15 **GOVERNOR KULONGOSKI:** Okay. If you want to speak,
16 come on up, please.

17 **MS. DENISON:** Marcia Denison, Pacific Rainforest
18 Wildlife Guardians. 71015 Morris Drive, Rainier, Oregon. Good
19 morning.

20 **GOVERNOR KULONGOSKI:** Good morning to you.

21 **MS. DENISON:** I just wanted to say that I concur with
22 this panel that came up first. There must be a moratorium on
23 all forestland tract -- public forestland transactions until
24 there's due process, until there is public review, until there
25 is a record developed of all the extenuating circumstances, so

1 that you have a record with which to make an informed decision
2 instead of just guessing, you know.

3 It's extremely important, because there's -- hundreds
4 of -- hundreds of thousands of acres are going to be lost of
5 our forestland. And it could be changed -- exchanged with the
6 federal government for consolidated blocked (phonetic) forests
7 without -- without any endangered species problems, without any
8 water quality problems. I think it's extremely foolish to have
9 any transactions of these lands until there is complete due
10 process and public review. And thank you very much.

11 **GOVERNOR KULONGOSKI:** Thank you. Thank you, Marcie.
12 I'll bring you back up again in a minute. Marcie, don't go
13 anywhere.

14 **STATE TREASURER WHEELER:** Louise, could you just for
15 the record, there were mentions of improper notification.
16 Could you tell us for the record what notification Lane County
17 received prior to the exchange?

18 **DIRECTOR SOLLIDAY:** Yes. Treasurer Wheeler, members
19 of the Board, Lane County was notified on at least four
20 separate occasions; two by the Department of State Lands, and
21 two by the Department of Administrative Services. In addition
22 to that, a public notice was placed in the local paper, the
23 *Register Guard*, on three consecutive weeks prior to the sale of
24 these parcels. And the notifications from us were
25 notifications at the beginning of the process to ask if there

1 were any issues or concerns that folks were aware of related to
2 those parcels.

3 In the case of notifying Lane County, we notified
4 three different parts of Lane County government. The
5 notification that went to the board of commissioners was
6 returned to us. The email address was no longer working. We
7 called the county to get a new email address. The email
8 address they gave us did not work, and so we sent them a
9 regular letter with the same notification in it. And then we
10 notified them a second time later on in the process.

11 The Department of Administrative Services requests
12 were requests to -- that they send out to all local governments
13 in the area where parcels are being sold by any agency, not
14 just us, asking the county if they were interested in
15 purchasing the properties.

16 **STATE TREASURER WHEELER:** And what response did you
17 get from Lane County?

18 **DIRECTOR SOLLIDAY:** We got no response.

19 **STATE TREASURER WHEELER:** All right. Thank you.

20 **GOVERNOR KULONGOSKI:** And you put that out in a
21 letter to the county commissioners --

22 **DIRECTOR SOLLIDAY:** We have --

23 **GOVERNOR KULONGOSKI:** -- it's a public record that
24 they have, and they just haven't responded?

25 **DIRECTOR SOLLIDAY:** Governor, that's correct. We

1 received the letter from the county indicating that there was a
2 lack of notice, and raising some other issues, and we have
3 responded to that letter, last week.

4 **GOVERNOR KULONGOSKI:** Okay. Okay. Kate, I'm sorry.

5 **SECRETARY OF STATE BROWN:** A couple other sort of
6 quick questions, Louise. One of the young women raised a
7 concern about old growth forests on these particular parcels.
8 Could you address that, please, and could you also address
9 endangered species on these particular parcels?

10 **DIRECTOR SOLLIDAY:** Secretary Brown, when we -- in
11 your notebook you will see there's a one-page review of
12 every -- an initial review of every one of these parcels that
13 we're considering that identifies what kind of timber is on
14 them. Most of these are lands that were either burned or
15 harvested within the last 20 to 30 years, so most of them have
16 relatively small trees on them.

17 We also do a review of species that may be endangered
18 or of concern. We identify those. But I remind the Board that
19 we don't hold those parcels for environmental purposes, we hold
20 those lands -- they're all Common School Fund trust lands, so
21 we manage them to maximize revenue into the Common School Fund,
22 consistent with sound stewardship. But we do do a review,
23 looking at the age of the timber. We do an appraisal on every
24 one of those parcels once we make a decision that we're going
25 to recommend them for sale. We do a review of critters that

1 are on them. And so all of that is part of the evaluation
2 process that we go through.

3 **SECRETARY OF STATE BROWN:** Governor, may I ask --

4 **GOVERNOR KULONGOSKI:** Go right ahead.

5 **SECRETARY OF STATE BROWN:** -- just another follow-up.
6 Thank you. And then one of the other concerns raised was the
7 issue of sustainability. And it's my understanding, and I like
8 to describe it as that we need to plan for the long term, the
9 next seven generations. Could you talk about how the sale of
10 these particular parcels would fit into that long-range
11 sustainable plan for Oregonians?

12 **DIRECTOR SOLLIDAY:** In a couple of ways. First, the
13 Land Board adopted a new asset management plan in 2006 that
14 calls for, what I'll call rebalancing of our real estate
15 portfolio, because we have almost all of our real estate eggs
16 in two baskets. One is timberlands. The other is rangelands
17 and agricultural lands. And the asset management plan calls
18 for us to dispose of these isolated, scattered parcels that
19 have high management costs relative to revenues, or are
20 isolated and scattered, completely surrounded by other
21 ownership, for which we do not have access. And to take those
22 dollars that we receive from the sale of those parcels, and
23 reinvest them in industrial, commercial, residential
24 properties, or possibly other forestlands where we can block up
25 our ownership further in a place like the Elliott State Forest,

1 or over at the Sun Pass State Forest in Klamath Falls.

2 So the idea here is to dispose of those parcels that
3 aren't generating revenue, or aren't generating much, but have
4 high management costs associated with them, and reinvest them
5 in areas where we are able to, over the long term, generate
6 more revenue for the Common School Fund.

7 And then the second response I'd give to that is
8 these parcels are currently not on the tax roles, and are not
9 generating economic activity in the state of Oregon. And as we
10 sell these parcels, they go back on -- they go on the property
11 tax roles for the first time in the history of the state. And
12 in many cases these parcels are being purchased by timber
13 companies who are harvesting them consistent with the Forest
14 Practices Act, and the other requirements that they have to
15 follow as they manage their lands. So we're contributing to
16 the social and economic welfare of many of the communities who
17 surround these forest parcels.

18 **SECRETARY OF STATE BROWN:** Thank you.

19 **GOVERNOR KULONGOSKI:** Louise, let me ask -- and what
20 Kate just asked. I know that what you just said about the
21 proposal that we have before us today, but the issue that I
22 think that the witnesses were actually talking about is that
23 some of these exchanges either in -- in the past, let's just
24 start at that -- have contained old growth. If we could agree
25 upon a definition of old growth -- do you agree that some of

1 it -- some of those exchanges have had old growth timber on
2 them?

3 **DIRECTOR SOLLIDAY:** Governor, I would not agree that
4 they've had old growth on them. I would agree that they had
5 older trees on them, maybe 100 to 120-year-old trees.

6 **GOVERNOR KULONGOSKI:** You and I just don't agree on
7 this.

8 **DIRECTOR SOLLIDAY:** Yeah. And it depends on whose
9 definition of old growth that you use.

10 **GOVERNOR KULONGOSKI:** That's right. And it's the
11 same issue with the -- with the ecosystems and the wildlife on
12 some of these exchanges. There are issues around habitat on
13 these lands.

14 **DIRECTOR SOLLIDAY:** Governor, in some cases, most of
15 the parcels that we've identified for sale do not have
16 endangered species issues directly on them. There may be in
17 the surrounding parcels. There are some parcel -- so that's
18 all stuff that we take a look at. When there are endangered
19 species issues, we normally have an agency that will come
20 forward and say, "We're interested in that parcel." The Forest
21 Service, the BLM, could be Fish and Wildlife Service. So when
22 agencies put up their hands and say, "We think we're interested
23 in that because of the conservation values," we pull those off
24 of the sale list, and we work with those federal agencies, or
25 state agencies to look at whether we can do a sale to them, or

1 whether we want to exchange for lands that we could manage for
2 revenue.

3 **GOVERNOR KULONGOSKI:** Thank you. And I'll just --
4 you know, one of the things that I do think -- and I've tried
5 in my administration to push forward, is that the state
6 actually developing more state forests and enlarging the ones
7 we have. And the latest is, you know -- for the first time
8 since the '40s we have Gilghrist State Forest, and I think that
9 the greater effort that the state makes to consolidate, and to
10 actually have a block of timberland that actually -- that we
11 can manage.

12 And for many of the reasons the witnesses said, I
13 think is good public policy. And I just think that -- I would
14 hope that the state would continue to do that, but at the same
15 time, just not look at the state lands, but I actually think
16 there should be a look at the federal forestlands and the BLM
17 lands that we have that actually giving the state the
18 opportunity to enlarge its land holdings to protect the -- and
19 enhance the forest of the state.

20 I just think that the federal government is not doing
21 a very good job of managing these things. And I have a great
22 concern about the health of the forests. And second, is if one
23 believes in climate change, like I do, and seek sequestration
24 of carbon, the timberlands are the greatest sequester of carbon
25 on the land mass, other than algae in the ocean, the trees are

1 it. And I worry if you do not have healthy forests, you burn
2 them down, and not only release more carbon into the air, but I
3 basically lose the authority to sequester from those trees.

4 And so I think that this is something that we should
5 look forward long term rather than the immediate period of time
6 about how we consolidate this to give us that ability to do it.
7 So thank you very, very much.

8 **UNIDENTIFIED MALE VOICE:** (Unintelligible)

9 **GOVERNOR KULONGOSKI:** Okay. I didn't say -- sir,
10 please.

11 **UNIDENTIFIED MALE VOICE:** (Unintelligible)

12 **GOVERNOR KULONGOSKI:** Okay. Why don't you do this --

13 **UNIDENTIFIED MALE VOICE:** (Unintelligible)

14 **GOVERNOR KULONGOSKI:** Look -- look --

15 **UNIDENTIFIED MALE VOICE:** (Unintelligible)

16 **GOVERNOR KULONGOSKI:** Okay. Thank you. Louise?

17 **DIRECTOR SOLLIDAY:** So Governor, we recommend the
18 approval of the Consent Agenda item.

19 **SECRETARY OF STATE BROWN:** I would move approval,
20 Governor, of the Consent Agenda.

21 **STATE TREASURER WHEELER:** Second.

22 **GOVERNOR KULONGOSKI:** Any further discussion?
23 Hearing none. It's adopted.

24 **DIRECTOR SOLLIDAY:** Thank you. The Action Agenda
25 today includes three items. The first is the request for

1 adoption of the 2010 Natural Areas Plan. And the first thing I
2 want to do is recognize Jim Kagan, who is here, and invite him
3 up. Jimmy Kagan has led the Natural Heritage Advisory Council
4 through the process of revising the Natural Areas Plan that you
5 have in front of you today.

6 It was a long effort, but I think at the end of the
7 day we have an excellent Natural Areas Plan in front of the
8 Board today for adoption. A couple of changes I will point out
9 from the previous plan that was adopted by the Board several
10 years ago.

11 One is the addition of a new ecosystem as a part of
12 this plan, and that is a marine and (unintelligible) ecosystem
13 separate from the coast region. And that's to recognize the
14 work that's now going on out in the ocean environment to
15 protect resources for the future. And so it seemed appropriate
16 at this time to add a new ecosystem to take a look at what
17 elements we're able to protect through the adoption of marine
18 reserves, marine protected areas, and other protection
19 activities that agencies are undertaking.

20 The second thing I might mention is that there's now
21 two parts to this plan. The first part, which is how we
22 implement the Natural Heritage Areas Plan. And the second part
23 is what I consider a gap analysis, for lack of a better term.
24 It tells us of the natural areas that we've already got on the
25 registry, and we have under protection, which elements of the

1 ecosystems that we're trying to protect are protected through
2 those, and which ones we're lacking protection on and
3 representation on in the natural areas program.

4 And I think it's a great tool for us in terms of
5 moving forward to identify other lands in the landscape that we
6 might want to bring under protection through any number of
7 mechanisms, including registry on the Natural Heritage
8 register, but through any of the other mechanisms various
9 agencies use to protect those resources.

10 And the staff is recommending adoption of the 2010
11 Natural Areas Plan. And I'll give Jimmy an opportunity to put
12 in his two cents, and then I think Marcia Dennison indicated
13 she wanted to testify also.

14 **MR. KAGAN:** Just a reminder, this is a program
15 primarily set up for research and education of the public. I
16 guess, just to give one example of every ecosystem type on the
17 reserve for study and for education purposes. And it's totally
18 voluntary, and able to get a lot of federal partners and state
19 agencies to participate voluntarily.

20 **GOVERNOR KULONGOSKI:** Okay. Marcie, do you want to
21 come up, please?

22 **MS. DENISON:** I just wanted to say that the Natural
23 Area program makes me very happy and I'm all for it. And thank
24 you very much.

25 **GOVERNOR KULONGOSKI:** Thank you, Marcie. I

1 appreciate that. Thank you. Can I see it? Do you have a copy
2 of it?

3 **DIRECTOR SOLLIDAY:** You have a copy of it in your
4 notebook. It's not in the color version.

5 **GOVERNOR KULONGOSKI:** Marcie, for you. Just a
6 second, Marcie. You've always been a great friend. Here.

7 **MR. KAGAN:** Until you approve it, those are
8 unofficial copies.

9 **DIRECTOR SOLLIDAY:** So staff recommends approval that
10 the Land Board adopt the 2010 Natural Areas Plan.

11 **STATE TREASURER WHEELER:** I'll move.

12 **SECRETARY OF STATE BROWN:** I'll second.

13 **GOVERNOR KULONGOSKI:** Any further discussion?
14 Hearing none. It's adopted.

15 **DIRECTOR SOLLIDAY:** Next action item is a request for
16 approval to modify the land sale procedure. As you know, we go
17 out to public auction, both in oral auction and sealed bid
18 auction on the parcels that we sell per statute and rules.

19 We have in the past come to the Land Board after the
20 conclusion of auctions where we haven't sold all of the
21 parcels, and asked the Board to give us permission to hold
22 those sales open for anyone who would be interested in
23 purchasing the property at the minimum bid price.

24 What we want to do is institutionalize that process,
25 and also add an intermediate step between the public auction

1 and allowing someone to come in and buy at the minimum bid
2 price. And what we are proposing is that after the public
3 auction is held by -- we use a realtor to do our public
4 auctions -- after the public auction is closed by the realtor,
5 and we have no bids on parcels, that we would continue to
6 accept sealed bids for a 60-day period of time. And we would
7 open them at a time certain at the end of that 60-day period in
8 a public forum. We'd probably do it here in the Land Board
9 room so that people could come and view the opening of those
10 bids.

11 And then we would keep those -- if there are no
12 sealed bids during that 60-day period of time, we would keep
13 the sale open for anyone to come in and purchase at the minimum
14 bid price. The minimum bid price, as we've established it,
15 includes the appraised price, plus our marketing costs that we
16 have from our real estate broker. And so we think that we are
17 getting fair market value because we are using the appraised
18 price, and we are recovering the costs of the marketing firm
19 that we are using for these parcels.

20 And so we're recommending that we add this 60-day
21 intermediate step. And then if we don't get any bids during
22 that process, that we would then extend the sale period --
23 because we have appraisals that are good for up to a year, we
24 want to take advantage of that and see if we can continue to
25 sell these parcels through an open process.

1 **GOVERNOR KULONGOSKI:** Thank you. Marcie, you were
2 signed up for this, too. Please.

3 **MS. DENISON:** Yeah, I think the -- the procedures
4 need to be modified so that they follow the laws -- all the
5 laws, especially the ones that are the same as forestry laws
6 for forestland. They're being dumped in with this
7 (unintelligible) and who knows what kind of property, which is
8 irrelevant, those rules and laws.

9 Also -- oh, what was I going to say -- oh, yeah,
10 in -- in Jackson and Josephine County, for instance, like
11 Section 16 and 36 are reserved from sale. And it's -- it's in
12 the -- it's in the Oregon Revised Statutes that -- the
13 acceptance act. And -- but it can be exchanged with the
14 federal government, and there's provisional law for that. And
15 I -- I wish that you could follow the laws on that, too. If
16 you don't want it, swap it with -- to consolidate, you know,
17 with the BLM or Forest Service, especially when there's
18 endangered species and old growth.

19 The Old Growth Museum, give it to them and get
20 something you can cut, you know. Okay. Thank you.

21 **GOVERNOR KULONGOSKI:** Thank you, Marcie.

22 **DIRECTOR SOLLIDAY:** You have other people to sign up
23 to testify on this.

24 **GOVERNOR KULONGOSKI:** Oh, yes. I'm sorry. I'm going
25 to go back to my original list. I've got Mr. Durr, and the

1 other witnesses who came -- were on this one as well, on 3. I
2 have your addresses now.

3 **MS. CHIRILLO:** Despite all the questions that --

4 **GOVERNOR KULONGOSKI:** I just need your name.

5 **MS. CHIRILLO:** Despite all the questions that are
6 being raised about these deals, in the -- by the *Register Guard*
7 and the *Oregonian*, the high risk of these investments as even a
8 real estate broker in one of those articles it talks about,
9 comments from the Lane County Commission -- Lane County
10 Commissioner Dwyer, that these deals don't pass the smell test.
11 That by selling the land, as he points out, and not the timber,
12 companies are able to export the timber at a higher price.
13 They essentially get to make a profit, whereas if they bought
14 the land and -- and the trees with the domestic price that it's
15 appraised at.

16 So that's one way the public is losing out. The
17 public is losing because these lands could be managed
18 sustainably (phonetic) indefinitely to continue raising
19 revenue. And the parcels are being sold at the bottom of the
20 market.

21 Yet, at the same time, you're proposing to further
22 streamline this process, and make it so that the public, either
23 counties or other entities, don't have the ability to challenge
24 a particular land sale or trade. And we really believe that's
25 what Item 3 is about. DSL yesterday in my conversation with

1 them said yes, we're streamlining. And this is not the time to
2 be doing that.

3 So we are actually -- what we are asking you to do,
4 we are calling for an investigation by the Justice Department
5 and Attorney General during which we want a moratorium placed
6 on all land sales and all logging or other activity on these
7 lands that all the sold or traded Common School Fund land be
8 put back in the public domain, at least for this asset
9 management plan. All unsold sales be canceled.

10 There are at least two in Lane County that were put
11 up for auction, but they haven't been sold that contain old
12 growth. And this is according to the appraiser. The appraiser
13 is consistently saying that some of these trees are 500 years
14 old, at least in the case of one parcel, or more, he says.

15 That the Common School Fund and counties be
16 compensated for the destruction of the forests and waterways
17 that occurred on sold parcels that did not undergo due process
18 according to the state law; that the state follow the law; that
19 serious reforms to the Board of Forestry be made, including
20 adoption of the code of ethics in change of the composition of
21 the Board of Forestry to eliminate complications from conflicts
22 of interests.

23 And there have been other groups that have called for
24 these in the past. One of the them being Pitchfork Rebellion.
25 And that all future land exchanges be made accountable and

1 transparent to the public, which we believe right now these do
2 not. And your Agenda Item is further -- is making the matter
3 worse.

4 **GOVERNOR KULONGOSKI:** Mr. Durr?

5 **MR. DURR:** Thanks again. Again, my name is Joel
6 Durr. I'm from Eugene. Part of what I wanted to speak on was
7 some discussion from earlier. Some of it is from
8 (unintelligible). But I just wanted to say that in the
9 discussion in the time previous was mentioned that there is
10 ecological review that is being done on these lands. I feel,
11 however, that this is considered an offshoot or a component of
12 a larger scheme of timber sales and -- and harvesting.

13 I find this to be in a conflict of interest in the
14 nature of ecological review in that it takes on the aim of
15 being a part of a process or hurdle or hoop to get through in
16 order to -- to achieve a timber sale or to harvest timber from
17 these lands. In that it leaves ecological review processes
18 open for corruption in process for glossing over of things,
19 basically compromising the intent of the action itself.

20 Also, the nature that these timber sales for the --
21 I'm sorry -- the Common School Fund, giving -- giving funding
22 to the school systems, I'm all for as much funding as we can
23 get for our school systems. We all know that they need these,
24 but for a long time now this -- this process has been a
25 relatively small contributor to school -- to education budgets.

1 I believe that this is an outdated source of funding for
2 education in Oregon. I feel like the proposed changes to this
3 part of the process has -- has been dubbed streamlining, is
4 sort of grasping at straws.

5 If -- if the parcels go through auction and don't
6 receive a bid, and we still want to sell them, I feel like
7 we're -- we're taking on a very short-sighted view of our
8 state's resources.

9 The national and international timber market is at a
10 real low point right now, so we're not getting -- and even in
11 selling these, we're not getting what we could. I feel like
12 it's kind of a waste of time and effort regardless. But I
13 just -- I feel like the -- the idea that it's going towards
14 funding education is -- is almost a farce to say. I think it's
15 something to hide behind to get timber sales to be more
16 accepted continually. It's been happening for a long time. I
17 think it is outdated, like I've said before.

18 I don't see it as a justified -- I think we need to
19 find a new way to fund our education system, because we can't
20 keep selling off our timber at the lowest dollar to whoever
21 wants to buy it afterwards.

22 And as my colleagues have said, this seems to be
23 streamlining of the process, which I find concerning, because,
24 you know, this is our land. This is public land being sold to
25 private entities for not much money. And I don't believe that

1 the ecological review process is taking -- being taken into
2 full consideration.

3 It was mentioned that burned plots of land -- burned
4 parts of the forest and marginal plots would be going through.
5 But burned land is not unusable land. Maybe it's marginal for
6 human use, but burned land is a crucial part of the larger
7 forest ecosystem, which we have to take into account. Some
8 species of plants, they -- they require this sort of habitat
9 for germination as part of the overall ecological process
10 within our forest systems in Oregon.

11 And so I believe that any amendment of this process
12 that would -- that would streamline this -- this process, or
13 take any scrutiny away from it is a detriment to our state, and
14 to our state's natural resources.

15 **GOVERNOR KULONGOSKI:** Thank you.

16 **MS. CHIRILLO:** I just wanted to say one more thing.
17 About -- I think that --

18 **GOVERNOR KULONGOSKI:** Will you do me a favor? Just
19 say your name. The recorder can't pick it up.

20 **MS. CHIRILLO:** It's Samantha Chirillo. I think that
21 our -- we could be putting our secure rule of school funding in
22 jeopardy is -- is a concern that I have as a result of the way
23 that this -- that these -- this process for the land exchanges
24 has been going. The fact that this -- all these questions
25 being raised in scrutiny, it's really important to consider

1 doing this, at least so that other states are not really
2 questioning whether they should still be footing the bill for
3 our secure rule of school welfare check.

4 And lastly, about -- I think that it would really be
5 worth looking at reinstating the timber harvest tax that was
6 going to fund public education. This tax was canceled on
7 the -- on the largest timberland owners in 1999, owners of 5000
8 acres or more. And that was a more significant way to fund
9 public education than -- than the secure -- than the Common
10 School Fund is currently. And -- and also served a really
11 important role in balancing -- and basically just making sure
12 that the public was benefiting in some way from activity on
13 private lands that -- that affect all -- all -- that affect
14 public lands, at least waterways and soil.

15 **GOVERNOR KULONGOSKI:** Natasha?

16 **MS. HOLTSMANN:** Natasha Holtmann. So I agree that the
17 Common School Funds is not the best way to fund the education
18 in our state. Thank you. And also believe that the timber
19 harvest tax should be reinstated to the largest timber area
20 owners.

21 My concern is with having these parcels sold and not
22 necessarily the public or the counties having much decision in
23 their sale or trade. One -- once there's any kind of further
24 economic crisis, you know, surrounding oil or anything, that
25 the local communities won't have the options to go out and, you

1 know, use the resources for, say, building more houses, or
2 harvesting loc -- local foods, local medicines from the
3 (unintelligible) areas, environments.

4 Also, just the whole concept of this being the United
5 States, and not having the right to, as a citizen, have a say
6 in what's going to happen with land that is supposed to be for
7 myself, for my neighbors, for my children, for my children's
8 children is really just appalling, to be honest.

9 And I know that one of the parcels was exchanged for
10 some real estate that doesn't really -- it didn't -- it was
11 just empty lots and streets, and that the state had actually
12 paid \$3 billion for just getting this land, and it's -- at what
13 point, who's buying these -- like, who's buying materials to
14 build houses when you don't even necessarily have access to
15 materials anymore, because they're being exported to various
16 countries that, you know -- in time we won't necessarily have
17 the easy access to that we have now.

18 So please keep the public comment and process in
19 which the public and the counties have say. Thank you.

20 **GOVERNOR KULONGOSKI:** Thank you.

21 **SECRETARY OF STATE BROWN:** Is there any more
22 (unintelligible)?

23 **GOVERNOR KULONGOSKI:** No, that's what I had.

24 **SECRETARY OF STATE BROWN:** I would move that we
25 approve the staff's recommendation to modify the land sale

1 procedure.

2 **STATE TREASURER WHEELER:** I'll second.

3 **GOVERNOR KULONGOSKI:** Any further discussion?

4 Hearing none. Adopted.

5 **DIRECTOR SOLLIDAY:** So Governor, just before we move
6 forward, staff went out and got the evaluation of the Course
7 Creek parcel, which was referenced in terms of old growth. It
8 does in fact contain old growth, but we have not sold it. We
9 still own it. It was one of the parcels that was reviewed. It
10 was one of the sales that was put on auction, but it did not
11 sell. So that parcel has not sold.

12 **UNIDENTIFIED MALE VOICE:** (Unintelligible)

13 **GOVERNOR KULONGOSKI:** Okay. Okay. Please. Look --
14 look, one of the great things about democracy is you get to
15 come in and talk, but there's a process. It's fair to
16 everybody. Just sign up. No one's going to deny you the
17 opportunity to come up and sit up here and give us your name
18 and talk and say what you want.

19 **UNIDENTIFIED MALE VOICE:** (Unintelligible)

20 **GOVERNOR KULONGOSKI:** Okay. If you want to speak,
21 I'm more than happy to give you the opportunity to come up now.

22 **UNIDENTIFIED MALE VOICE:** (Unintelligible)

23 **GOVERNOR KULONGOSKI:** Okay. Okay. Thank you very
24 much for that. What is the next one? He doesn't want to
25 speak.

1 **DIRECTOR SOLLIDAY:** Okay. But he did. Okay. Agenda
2 Item Number 4 is a request for approval of the exchange of
3 quitclaim deeds within the McKenzie River Trust. This is in
4 the area in Lane County, where the Willamette has -- the
5 Willamette River has moved several feet -- in fact, several
6 hundred feet in the last 150 years.

7 And under the laws of erosion, accretion and
8 avulsion, when there is a slow movement of the river the
9 state's ownership stays with the banks -- the bed and banks of
10 the river, and the uplands ownership stays with the uplands.

11 In the case of the parcels where we're recommending
12 the exchange of quitclaim deeds, the Lane County records -- tax
13 records still show us as owning the old historic channel, which
14 is now upland, and show the McKenzie River Trust as owning the
15 beds and banks of the river. And so the McKenzie River Trust
16 came to us with an application to exchange quitclaim deeds so
17 that our ownership would go back into the river, and the
18 ownership of the uplands would go to the McKenzie River Trust.

19 And so we are recommending that the Board approve the
20 exchange of quitclaim deeds with the McKenzie River Trust to
21 correct this ownership issue.

22 **GOVERNOR KULONGOSKI:** Can I ask you a question? When
23 I read this the first time I thought to myself, I said, "I hate
24 to rate this issue of navigability, but if it were ever
25 litigated," does not the state's interests follow the river out

1 of the constitution?

2 **DIRECTOR SOLLIDAY:** That's correct, Governor. The
3 state's interest does follow the river in the case where there
4 is a slow change in the river channel. If there's an avolsive
5 act, a sudden act, then ownership is frozen in place.

6 **GOVERNOR KULONGOSKI:** Okay. Let's just -- thank you.
7 Kate?

8 **SECRETARY OF STATE BROWN:** Governor, I would move
9 that we approve the staff's recommendation to issue a quitclaim
10 deed for the McKenzie River.

11 **STATE TREASURER WHEELER:** Second.

12 **GOVERNOR KULONGOSKI:** Any further discussion?

13 **SECRETARY OF STATE BROWN:** I'm sorry; the Willamette
14 River to the McKenzie River Trust. I think.

15 **GOVERNOR KULONGOSKI:** Okay. It's the McKenzie River
16 Trust?

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

18 **GOVERNOR KULONGOSKI:** Okay. It's adopted.

19 **DIRECTOR SOLLIDAY:** Great.

20 **GOVERNOR KULONGOSKI:** Before you go forward, I do
21 remember that there's something I want to ask, and it's of the
22 counsel -- our lawyer, because I remember -- what was it, the
23 last meeting or two meetings ago, the issue came up on the sale
24 of some land in the Bend area, and someone raised an issue
25 about whether there was a conflict of interest involved in

1 that. And I actually asked the Department of Justice to -- do
2 you have -- have you reviewed that issue on the conflict of
3 interest? And help us, all three, go back to the beginning
4 and -- what this is about.

5 **AAG SCHUMOCK:** Sure. Thank you, Governor Kulongoski,
6 members of the Board. I think what the Governor is referring
7 to was a proposed land transaction where the Department was
8 going to purchase a parcel of real property in Bend. It had
9 happened that the parcel of real property was owned by a
10 limited liability company in which Assistant Director Jim
11 Paul's parents had an interest.

12 And early on in the Department's discussions with
13 the -- it's called Big Water, LLC, was the name of the limited
14 liability company, Jim Paul identified that he had a conflict
15 with the Department's potential acquisition of that property.

16 **GOVERNOR KULONGOSKI:** And Mr. Paul's position is?

17 **AAG SCHUMOCK:** He's the assistant director for the
18 Land Management Division.

19 **GOVERNOR KULONGOSKI:** Okay. Of the Division of State
20 Lands -- Department of State Lands.

21 **AAG SCHUMOCK:** The Department of State Lands,
22 correct. And so when that conflict was identified, and in our
23 analysis, we determined that it was a potential conflict of
24 interest because at that point the Department had not made a
25 determination to buy the parcel. In fact, they can't make that

1 determination; only the Board can make that determination. So
2 we had a potential conflict of interest that under the ethics
3 laws had to be disclosed, and then the Department had to follow
4 the specific procedures laid out in the statute to mitigate
5 that conflict. And we analyzed whether Director Solliday and
6 Assistant Director Jim Paul properly followed the ethics rules
7 in dealing with that conflict. And we determined that they
8 had.

9 One caveat I will add is that the -- it's the Oregon
10 Government Ethics Commission that has exclusive jurisdiction to
11 rule on the Oregon government ethics law. So we were asked for
12 our opinion, and that is what we provided. And it's not
13 intended to usurp the jurisdiction of the Ethics Commission
14 should they want to take a look at the issue.

15 **GOVERNOR KULONGOSKI:** Louise?

16 **DIRECTOR SOLLIDAY:** So I just -- I might add to that,
17 that we've decided to take a step back from our land
18 acquisition program. The agreement of sale that we had in
19 place for the Bluff Drive parcel expired shortly after the last
20 Land Board. We did not extend that agreement of sale. We also
21 had placed an offer on another parcel in Central Oregon, and we
22 withdrew that offer. We were second in line, and not likely to
23 get that parcel.

24 But we've decided we need to take a step back and get
25 policies and procedures in place for our land acquisition

1 program so that we have established a policy, establish a set
2 of criteria for moving forward with our acquisitions. And
3 staff is already at work on that set of policies and
4 procedures.

5 **GOVERNOR KULONGOSKI:** But the specific issue that I
6 asked for the review of the Department of Justice on, you have
7 not gone forward with that acquisition of that land?

8 **DIRECTOR SOLLIDAY:** That's correct. That was the
9 Bluff Drive parcel. We did not.

10 **GOVERNOR KULONGOSKI:** Thank you. Go ahead.

11 **DIRECTOR SOLLIDAY:** Okay. One more correction. We
12 did in fact sell the Course (Phonetic) Creek parcel. It was
13 the Blue River parcel that did not sell -- was in the same
14 drainage. The North Fork Course Creek parcel did sell to just
15 (unintelligible) resources, when we sold the Lane County
16 parcels at auction.

17 Informational Agenda items. The first is a status
18 report on the Elliott State Forest planning effort. And I'm
19 going to ask Jim Paul to come up, but just a reminder that this
20 item has been in front of the Board on several occasions. In
21 February the Board directed both the Board of Forestry and the
22 Department of -- the State Land Board directed staff of the two
23 agencies to continue to try and get a habitat conservation plan
24 in place with the Fish and Wildlife Service and the National
25 Marine Fishery Service. But at the same time, to start

1 planning for an alternative to habitat conservation plan.

2 We have been working on trying to get a new habitat
3 conservation plan in place since 1990, so we've been working on
4 it for ten years. We've had considerable expense, over \$3
5 million in expenditures, attempting to get that habitat
6 conservation plan. You also directed us to have a science
7 review done, which we did do with the Independent
8 Multidisciplinary Science team. And Jim is going to talk a
9 little bit about the results of that and where we are in the
10 planning process.

11 And then the final component of that action that you
12 took in February was for us to look at the potential for carbon
13 as a revenue source on the Elliott State Forest as part of our
14 management planning effort, and we'll update you a little bit
15 on that. So with that, I'll --

16 **GOVERNOR KULONGOSKI:** Louise, as you leave, you said
17 1990 as ten years --

18 **DIRECTOR SOLLIDAY:** Oh, since 2000. I'm sorry.

19 **GOVERNOR KULONGOSKI:** 2000. Okay.

20 **DIRECTOR SOLLIDAY:** Yes. Haven't been doing 20
21 years.

22 **GOVERNOR KULONGOSKI:** Okay. I just wanted to make
23 sure. Okay. Thank you.

24 **DIRECTOR SOLLIDAY:** It just feels like 1990.

25 **GOVERNOR KULONGOSKI:** This is a never-ending issue.

1 **MR. PAUL:** Good morning, Governor, members of the
2 Board. At least I still think it's morning. Glad to be with
3 you to give you a little more detail on the status of the
4 Elliott State Forest.

5 Louise did a good job of summing up basically where
6 we came from and how we got here. I wanted to give a little
7 bit more detail and background to give you the context for the
8 sort of final piece of this process up to now that was the IMST
9 report that Louise referred to.

10 We've been engaged with the services since 2000 to
11 renew the HCP, so we're about at a ten-year anniversary here.
12 And over the course of those years we've -- I would think it's
13 fair to say we've worked closely with the federal agencies,
14 gone through a number of different versions of strategies and
15 plans. In 2006 we believed we were close to agreement on a
16 plan. And because of that, there was full agreement to go
17 forward with completing an environmental impact statement.

18 This technically is a document that is owned,
19 authored, belonged by the federal services, but the Department
20 of Forestry served as sort of the contract administrator to do
21 the work off an in-kind -- basically worked to get that done.
22 It was federal dollars, though, that paid for that study. I
23 believe for the most part, if not the whole part.

24 That environmental impact statement was essentially
25 the issue -- that was the last issue that we've looked at and

1 tried to work through with Marine Fishery Service that came
2 up -- that we briefed you on in June.

3 Basically what happened, about a year ago we were at
4 an impasse, not with the US Fish and Wildlife Service, but with
5 the National Marine Fishery Service in terms of our riparian
6 protection strategies that we were offering and proposing in
7 the draft HCP. In an effort to try and not have dueling
8 science of the like -- I think you experienced in your February
9 meeting last year. We proposed to work through the
10 interdisciplinary multi -- independent multidisciplinary
11 science team to have them take an objective look and basically
12 report back to us on what they saw in terms of the science and
13 appropriate use of the science, and the credibility of it.

14 We had some issues getting to agreement with the
15 National Marine Fishery Service to use that venue, but we went
16 forward with it regardless. We believed, not just in name, but
17 actually, in fact, that team is extremely independent,
18 independently funded. They answer to the legislature. They
19 don't answer to any agencies. They've been doing this work for
20 over ten years now.

21 In the end the report was issued by the IMST in
22 November. There were a number of caveats around it in terms of
23 the limitations of time and resources that they had. They
24 focused solely on the riparian protections, the stream
25 protections, and how the environmental impact statement

1 analyzed those and dealt with those. And that was the extent
2 that they were able to do in a few months, and the resources
3 they had.

4 Bottom line, the result of that study really didn't
5 change the equation much at all. In fact, if anything, I would
6 say it did not reflect very well on the whole federal process
7 of trying to get an HCP. It had -- the IMST had trouble
8 tracking some of the references that the environmental impact
9 statement used. It had trouble following the logic to the
10 conclusion some of the -- in the environmental impact
11 statement.

12 And again, just to remind you, this EIS, as it's
13 called, we worked very closely with NMFS and Fish and Wildlife
14 throughout the drafting of that. There were two drafts were
15 distributed and released to the state and the feds to review
16 before the contractor finalized that report. Bottom line, to
17 move forward on the HCP track would likely take at least
18 probably two years, maybe as many as four or five, because it's
19 likely we would essentially have to redo the EIS process.

20 And in fact, in a meeting with the National Marine
21 Fishery Service just about a month or so ago, where we
22 basically said we're at a crossroads here. We have to decide
23 which way we're going because we have one year left to meet the
24 direction provided by you and the Board of Forestry. The
25 National Marine Service I think referred to the result of the

1 review creates -- makes the EIS litigation lightning rod I
2 believe was the language they used. To get in that, we would
3 not -- if we continue to pursue an HCP, it's almost certain we
4 would not have a new plan in place by January 1st of 2012.

5 So in this report you have here, it gives you a brief
6 summary of everything leading up today, including the IMST
7 report, and it lays out essentially three options that the
8 department believes we have in front of us, and some of the
9 consequences -- outcomes of those options that we think would
10 happen.

11 The first one is to continue to try to pursue this
12 HCP.

13 The second one is to shift to -- opt out of the
14 current HCP and take "take avoidance" approach. Just a
15 reminder, this take avoidance plan is what's exercised on all
16 other state forestlands in Oregon. And a lot of the strategies
17 in this proposed plan would mirror, mimic, be very similar to,
18 so it's not going in a completely new and different direction.
19 It's kind of following the lead of the way other state
20 forestlands have been managed for the last decade. And that
21 option two also kind of holds out the hope that there might
22 be -- there might be a time when an HCP might work, so the
23 state would be open to that. But in terms of what would happen
24 in the next year, we would focus principally on getting a plan
25 completed and in place about a year from now.

1 The third option, just to make sure there's a range
2 of options, is to simply not have an interest in pursuing an
3 HCP anymore, given the experience -- go forward with pursuing
4 take avoidance plan, and not leaving any sort of expectation
5 with the services or others that the state for now would, at
6 least, or for a while, would be spending any resources or
7 effort to pursue an HCP.

8 Finally, and then I'll stop. The next steps, as I
9 kind of already spoke to, we will move forward with option two.
10 It was the decision to meet your direction provided last
11 February, and begin in earnest to pursue the take avoidance
12 plan to opt out of the current HCP. And we believe -- we have
13 a schedule laid out that -- without being too optimistic -- it
14 would be realistic, we can get to a finally adopted plan that
15 could be implemented beginning January 1st in 2012. With that,
16 I'll stop.

17 **GOVERNOR KULONGOSKI:** Can I ask you a question? I
18 want to go back. This all started because of the federal
19 agency policy about fish -- US Fish and Wildlife and NMFS, they
20 had to agree. Isn't that correct? Isn't that what this is
21 about? Is they had to agree -- we had agreement with Fish and
22 Wildlife, but we couldn't get agreement with NMFS?

23 **MR. PAUL:** Correct. Governor, members of the Board,
24 the services have had a policy in place, maybe for almost ten
25 years, for quite a while. It's not in the ESA statute, but

1 it's a -- it's agency policy that says they will pursue
2 multispecies HCPs, where new HCPs are -- were private parties
3 are interested in HCP. We've been on that track -- we've been
4 on that track because of that.

5 **GOVERNOR KULONGOSKI:** Help me again with EIS. Who
6 developed the EIS -- the draft EIS?

7 **MR. PAUL:** Okay. The EIS was contracted out, and I
8 cannot recall the name of the firm at this point, but the firm
9 we did use actually subcontracted out a team of technical
10 experts in the different disciplines that are covered with an
11 HCP. Essentially spent six months, a year, maybe more in the
12 drafting of that report. In initiating that report, we gave
13 them clear direction on what we wanted. It's a requirement
14 under the Endangered Species Act to have that done before they
15 can approve an HCP.

16 **GOVERNOR KULONGOSKI:** I'm just running down the
17 chain. Don't worry. The IMST then concludes that -- of the
18 ambiguity in the draft EIS, it was very difficult for them to
19 make a --

20 **MR. PAUL:** Correct. They looked at just one --

21 **GOVERNOR KULONGOSKI:** -- recommendation --

22 **MR. PAUL:** Yes, Governor.

23 **GOVERNOR KULONGOSKI:** -- about what we should do?

24 **MR. PAUL:** Exactly. One piece of the EIS that dealt
25 specifically with the fish resource and the stream protections.

1 **GOVERNOR KULONGOSKI:** Okay. And the recommendation
2 before us?

3 **DIRECTOR SOLLIDAY:** This is just --

4 **GOVERNOR KULONGOSKI:** This is just an
5 informational --

6 **DIRECTOR SOLLIDAY:** -- an informational item.

7 **GOVERNOR KULONGOSKI:** -- item. I'm so frustrated
8 about this.

9 **DIRECTOR SOLLIDAY:** Yeah, welcome to our world.

10 **GOVERNOR KULONGOSKI:** This goes on and on and on.
11 What's the next step?

12 **DIRECTOR SOLLIDAY:** Governor, at some point, probably
13 next fall, as we continue down the take avoidance plans
14 pathway, we would be bringing to the Board a new forest
15 management plan using the take avoidance strategy for adoption,
16 as well as to the Board of Forestry.

17 Before we get it to the Board there will be a
18 public -- well, it's currently going through a public -- its
19 initial public review process, so there's a draft out for
20 public review currently. At the conclusion of that Forestry
21 staff and our staff will go back, review those comments, make
22 changes, and there's a piece that we actually were waiting for
23 information on on this initial draft dealing with the carbon
24 market and the opportunities there for generating revenue
25 through the carbon marketplace.

1 The second draft, then, will go out for a formal
2 public review process for 90 days, I think is the plan. That
3 will probably start in May -- the May/June timeframe. And
4 after that public comment period closes, which will be part of
5 a formal rulemaking process for the Board of Forestry, we would
6 bring the final draft plan back to both boards for approval in
7 the fall.

8 **GOVERNOR KULONGOSKI:** I understand. Thank you.

9 **MR. PAUL:** Just to add to that, in April we will need
10 Board action to initiate rulemaking so that step would need to
11 occur before we begin that.

12 **DIRECTOR SOLLIDAY:** Not here we don't.

13 **MR. PAUL:** Oh, not here. Sorry.

14 **GOVERNOR KULONGOSKI:** Gordon, there's nothing to
15 testify or say anything about.

16 **GORDON:** (Unintelligible)

17 **GOVERNOR KULONGOSKI:** Oh, don't do that, Gordon,
18 please.

19 **GORDON:** (Unintelligible)

20 **DIRECTOR SOLLIDAY:** We're still in the middle of a
21 meeting here.

22 **SECRETARY OF STATE BROWN:** Governor, I just -- a
23 couple of comments, because I -- when I ran for this particular
24 office in 2008 my commitment was to implement the multispecies
25 habitat conservation plan. I just think in terms of the

1 federal level, the lack of accountability, the wasted time and
2 opportunity, I think we're in the worst-case scenario for the
3 environment and the endangered species on the forests. And I
4 just think this is absolutely unacceptable that our federal
5 government would allow this to happen for ten years-plus. And
6 us -- for us not to have a decision, I just think it's
7 deplorable. So I'm trying to bite my tongue, but I'm very
8 frustrated, so.

9 **STATE TREASURER WHEELER:** So I won't bite my tongue.
10 I have no right to be as frustrated as the governor
11 (unintelligible) longer than I have. This is truly appalling.
12 It's truly appalling to me. And the sadness here and really
13 stuck out in my mind, is the IMST was unable to fully assess
14 the scientific rigor that underpinnings of the EDIS analysis.
15 In other words, after ten years and \$3 million, they can't even
16 verify science (unintelligible) study they were supposed to be
17 forming the HCP process. I don't even know where to begin with
18 that. To say, other than it appears that there is more than
19 just an inability to reach a consensus (unintelligible)
20 beginning with the original analysis. I'll just be that blunt
21 about it.

22 So it raises the question in my mind, which is, why
23 are you picking option number two and leaving open the door for
24 an HCP, as opposed to just going with option number three? Why
25 are you leaving that door open, so we can be more frustrated,

1 to waste even more money and time on an analysis that's
2 probably going to be not even worth the paper that it's written
3 on?

4 **GOVERNOR KULONGOSKI:** You're supposed to say at this
5 time, Louise, on behalf of -- on recommendation of counsel, I'm
6 not going to respond.

7 **DIRECTOR SOLLIDAY:** Treasurer Wheeler, there are some
8 advantages to having a habitat conservation plan. The most
9 important is that it provides us with legal protection --

10 **STATE TREASURER WHEELER:** But can you
11 (unintelligible)?

12 **DIRECTOR SOLLIDAY:** And I think that's the question.
13 But I don't think we want to slam the door shut on ever having
14 an HCP in the Elliott State Forest again. I think it is --
15 there may be additional species to get listed down the road,
16 and it may become more important for us to have that as a
17 management strategy. So I just don't think you want to slam
18 the door shut permanently on the potential for an HCP.

19 **STATE TREASURER WHEELER:** All right. Well, and I
20 appreciate that. It seems like my colleagues in the state of
21 Oregon (unintelligible) that way. It's disappointing to me, I
22 guess, as a citizen to (unintelligible) this. So
23 (unintelligible) as a (unintelligible) we're really back to
24 square one.

25 **SECRETARY OF STATE BROWN:** Yeah, we are. Ten years

1 later. Ten years later.

2 **STATE TREASURER WHEELER:** And \$3 million spent.

3 **GOVERNOR KULONGOSKI:** Thank you. Louise, Item 6.

4 **DIRECTOR SOLLIDAY:** Okay. The next item is just a
5 quick --

6 **GORDON:** This was the item I came down --

7 **GOVERNOR KULONGOSKI:** Okay. Gordon, you'll get
8 there. Let her explain it. Thank you.

9 **DIRECTOR SOLLIDAY:** The next item is a status report
10 on land sales in Benton and Lincoln County. We just wanted to
11 let you know -- you'll recall, we initially took a look at 17
12 potential parcels. We ended up only deciding to sell eight of
13 those, which the Land Board approved several months ago. We
14 just wanted to report to you that we sold all eight of those
15 parcels. They sold at about eight percent above the minimum
16 bid price, so we did well on those sales. Unless there's
17 questions --

18 **GOVERNOR KULONGOSKI:** I'm going to let Gordon say
19 something, because this is the item he came all the way from
20 Coos Bay to say something about.

21 **DIRECTOR SOLLIDAY:** Governor, just -- we had other
22 people who requested to speak on the informational items, we
23 don't normally take public comment on informational items, so
24 if --

25 **GORDON:** (Unintelligible)

1 **GOVERNOR KULONGOSKI:** Okay.

2 **DIRECTOR SOLLIDAY:** So if you want to do that, would
3 ask you to open it --

4 **GOVERNOR KULONGOSKI:** I withdraw -- I would adhere to
5 your recommendation, Louise.

6 **DIRECTOR SOLLIDAY:** Okay. Thanks.

7 **GOVERNOR KULONGOSKI:** Gordon will have to wait, and
8 you'll have to talk to me later.

9 **DIRECTOR SOLLIDAY:** Okay. The next item is the
10 annual report on land management activities. And I'm going to
11 ask Jim to give that report.

12 **MR. PAUL:** As Louise said, item seven. This is an
13 annual report, as is called for in the asset management plan.
14 And it's specific to the land management (unintelligible)
15 interests that are managed by the DSL. And in here we have a
16 general summary, also broken down by our different land
17 classes.

18 And again, this period -- this covers the fiscal year
19 '10, which is July 1, 2009 to the end of June 2010. And again,
20 we manage -- the DSL manages for the State Land Board about 2.3
21 million acres of lands in eight different land classes. And
22 those are listed on the first page, and also in appendix A.
23 There is a map of those land classes across the state.

24 To get a general overview in terms of our revenues
25 and expenditures, fiscal year '10 we received close to \$13.3

1 million from land management authorizations. And in appendix B
2 you'll also see a breakdown of those revenues, gross revenues,
3 expenditures and net operating revenues.

4 I wish I had some more good news for you on the heels
5 of my last presentation there, but this -- and not
6 surprisingly, we saw a decrease, 23.7 percent decrease in gross
7 revenue as compared to the last -- previous year. This is
8 largely attributable to the forest sector -- the forest part of
9 our portfolio.

10 And you can see this evident when you look at the
11 figures when you take out the forestry piece of the assets. We
12 saw -- we still saw a decline, but the decline was only at
13 five, close to six percent.

14 In terms of land sales, we see -- we received a
15 little more than \$3 million in land sales. These, of course,
16 are deposited directly into the revolving fund. And there's
17 some additional details on that topic in appendix C.

18 And let's see -- and then in appendix D, we also have
19 very specific details around revenue, the expenditures by land
20 class, broken down within each land class where those revenues
21 are coming from.

22 And I think to the point you heard earlier, while
23 we're making efforts in the asset management plan, steers us in
24 this direction, to diversify out portfolio. We still see the
25 vast majority of revenues that come from authorizations from

1 our forestlands about 75 percent, plus or minus, came from our
2 forestlands. And actually, 70-so percent of that revenue comes
3 off of the Elliott State Forest.

4 So we have four different performance standards in
5 the asset management plan, and of the two that we are reporting
6 on, we saw a decrease in both of those, and that is the net --
7 the annual increase in net operating income. The target is
8 three to five percent in the plan. We've actually seen a
9 decrease. And in the increase in gross annual revenue is five
10 to seven percent, and we've seen a decrease there as well.

11 Quickly, I'll just go through the summary of our
12 activities. Of course we have our general authorization
13 activities, over 4800 authorizations issues. Close to 700
14 actions that were processed to renew, amend, or assign.
15 Transfer authorizations. We continued work on our range and ag
16 lands, both in making capital improvements, as well as continue
17 to be a rangeland inventory process.

18 Portland Harbor -- super fund site continues to take
19 significant resources. An effort -- we need to work through
20 that. And as you heard earlier, the rule process is an example
21 of where we're moving along and taking steps we think we need
22 to to keep moving forward with that process.

23 ICR lands. We had two significant acquisitions. The
24 Forked Horn and Butte subdivision in west Redmond, as well as
25 the old state motor pool in Eugene. And we are continuing work

1 on Stevens Road tract, West Road parcel, and the south Redmond
2 tract. And the details of those are in here as well.

3 You also see DSL building improvements. The
4 forestland summary, again, was delivered to you in October.
5 And that report by the Department of Forestry. And then
6 there's a summary of our land exchanges and sales, which we've
7 discussed a bit today.

8 And then finally on the rulemaking side, we, of
9 course, did put on hold an update to the waterway rules that
10 was planned during the last fiscal year. We intend to wait and
11 see what might come out of the session, whether there's some
12 potential legislation that could affect how we would go forward
13 with those rules when we do start them up following -- restart
14 them following the session.

15 Finally, I just wanted to go to appendix B to just
16 make a few points around the (unintelligible) and revenues and
17 expenditures within the division. The two areas that we did
18 not see declines of those land classes were the industrial,
19 commercial, residential, as well as the special stewardship.
20 We saw less of a decline -- or of a reduction in than we did
21 the previous year.

22 However, in terms of the totals there, I think the
23 biggest drivers around this decline from last year to this
24 year, really occurred for two reasons. One, we had a licensee
25 in our mineral and energy use, that's significant licensee that

1 was -- economic activities slowed down, and we saw, I think, a
2 couple hundred thousand dollars less in receipts this year as
3 compared to the previous year. Again, from one licensee.

4 And then in terms of our waterways, we've seen a
5 reduction in the sand and gravel licenses, as you've heard
6 through the removal -- or excuse me, the report on the wetlands
7 and waterways conservation division. So if you took those two
8 out, we'd see relatively kind of a flat trend within sort of
9 the general variability.

10 So while the numbers in summary look -- don't look
11 very positive, I think given what's been occurring, the slow --
12 move out of this recession, we've managed to at least hold our
13 own, again, with those two exceptions.

14 And with that, I'll stop and take any questions you
15 might have.

16 **DIRECTOR SOLLIDAY:** Okay. We'll go to the next item.

17 **STATE TREASURER WHEELER:** Actually, I had a question.

18 **GOVERNOR KULONGOSKI:** Go right ahead.

19 **STATE TREASURER WHEELER:** I'm sorry. Item number
20 one, (unintelligible). And number two (unintelligible) is the
21 land valuation requirements may change. Can you talk about
22 that a little bit? What specifically are you concerned about
23 in terms of land valuation?

24 **MR. PAUL:** Are you referring to the performance --

25 **STATE TREASURER WHEELER:** Performance asset value.

1 **MR. PAUL:** Performance targets?

2 **STATE TREASURER WHEELER:** It's quite possible that
3 accounting procedures will change in the near term, and thus,
4 using current techniques to value property is not appropriate.
5 And then you refer to that in number two in your annual
6 increases and net operating income. I'm just curious to know
7 what accounting rule changes you're specifically referring to,
8 and how that might impact our valuation of the assets.

9 **MR. PAUL:** Governor, members of the Board, I'd be
10 glad to answer that in a couple of different ways. One,
11 because of the size of the land holdings, there's just some
12 inherent choices in front of us or how we value that. Do you
13 value the entire 2.34 million acres as one and try to get an
14 "appraisal"? Or do you look at what -- if you sold individual
15 parcels over time, and the smaller you get in terms of scale
16 the better you'll see the values. But that's just a general
17 sort of issue that I deal with in terms of looking at the size
18 of the land base. But the main reason why -- what that's
19 referring to is -- if I remember, it's the Western State
20 Lands --

21 **DIRECTOR SOLLIDAY:** I'll do this. Yeah. Treasurer
22 Wheeler, the Western State Lands Commissioners Association has
23 been talking to GASBI folks about valuation of trust lands in
24 particular. And this issue came up a couple years ago as they
25 were looking at how other entities were valuing their real

1 estate holdings. And so we have been working with GASBI on a
2 standardized process for all of the states in the west to
3 report their land holdings and to value them, so that they are
4 valued consistently across the western states.

5 We had a staff person from GASBI at the Western
6 States Land Commissioners meeting in July to start that
7 conversation. And we have another meeting coming up in January
8 where that conversation will continue. And our goal is to come
9 to agreement with -- as opposed to having GASBI tell us how
10 they want us to do this, is to talk to them about what these
11 trust lands are, how we acquired them at statehood, so they
12 came to us at zero cost. And to come up with a common sense
13 approach for how we will report these in the future.

14 And we're expecting that GASBI at some point will
15 provide direction to all of the western states. But we're
16 trying to influence that and make sure it makes sense.

17 **STATE TREASURER WHEELER:** All right. Thank you.

18 **GOVERNOR KULONGOSKI:** Who is GASBI?

19 **DIRECTOR SOLLIDAY:** Governor, accounting
20 standards --

21 **GOVERNOR KULONGOSKI:** General accounting
22 standards -- it's a national organization.

23 **DIRECTOR SOLLIDAY:** Yes, it is. It's an
24 accounting -- procedures and standards for all entities.

25 **GOVERNOR KULONGOSKI:** Okay. Thank you, Louise.

1 **DIRECTOR SOLLIDAY:** Okay. And we have one final
2 information report. This is a report, Governor, that you asked
3 for at the last meeting when we were giving you the report on
4 the wetlands and waterways conservation division activities for
5 the year.

6 And I think, Bill, I'll just do this quickly. We put
7 together a report on placer mining activities in the state of
8 Oregon.

9 **GOVERNOR KULONGOSKI:** Yes.

10 **DIRECTOR SOLLIDAY:** And the report, not
11 surprisingly, shows a couple of things. All of which I think
12 we're intuitively -- we knew. One is that the number of placer
13 mining permits in the last two years has gone up significantly.
14 And I think there are a couple of reasons for that. One is the
15 recession; and two is the price of gold. And we've seen these
16 spikes in the past when the price of gold has gone up.

17 The second thing that we've seen is the number of
18 out-of-state folks who are coming here to engage in placer
19 mining has increased. And Californians in particular have made
20 up a large portion of that increase. And that is, we believe,
21 directly related to the moratorium that's been put in place in
22 California while the California fish and game department has
23 been directed by their legislature to study the impacts of
24 placer mining on (unintelligible) habitat and the fish and
25 wildlife species who depend on that habitat. That report is, I

1 believe, due next year, so we are seeing the effects -- the
2 spillover effects from California into Oregon, and so we have
3 seen increased activity.

4 The wetlands and waterways conservation division is
5 doing some things in the short term. One, making sure that all
6 of the placer mining -- placer miners who have permits from us
7 are submitting their annual reports to us at the end of each
8 year. And so we're in the process of making sure that
9 everybody is aware they have a report that they have due to us,
10 lets us know where they were, and amounts of material that they
11 were moving.

12 And we are -- the Department of Environmental Quality
13 adopted their new general permit this last summer. They do
14 have a small fee associated with their permit. They also saw a
15 spike and increase in the number of permits that they were
16 issuing under that general permit.

17 There is Senator Atkinson, who represents an area
18 where placer mining is a frequent activity, particularly on the
19 Rogue River, and some other rivers in southern Oregon, did go
20 out on the Rogue River this summer while placer mining season
21 was underway, was very concerned about what he saw in terms of
22 the volume of activity that was occurring. And I have had a
23 conversation with him, and he is planning to introduce
24 legislation dealing with this. It's not clear to me yet what
25 his legislation is going to do.

1 I think he was looking at a couple of options. One,
2 which I think legislative counsel told him, was probably not
3 going to pass muster, would be to prohibit out-of-state folks
4 from coming in and engaging in placer mining; that there would
5 be commerce clause, among other things -- problems with doing
6 that.

7 He's also looking at a fee schedule for us, because
8 we are prohibited by statute currently from charging fees, so
9 he may be interested in allowing us to charge fees, and to
10 differentiate in state from out of state fees. There are some
11 hurdles you have to overcome in order to be able to do that
12 also.

13 And the third approach may be to put some additional
14 restrictions. We already have quite a few restrictions in
15 terms of nozzle size, horsepower, time of day, in water work
16 period, so we have a number of restrictions in our permits that
17 we issue to make sure that we're protecting habitat in those
18 rivers.

19 So there are a number of different ways that that
20 legislation could go. And so I haven't seen what he's had
21 drafted at this point. And we'll see what happens during the
22 legislative session.

23 **GOVERNOR KULONGOSKI:** You know, is there a report on
24 this, or is this just the item as it's written here on our
25 agenda that I have?

1 **DIRECTOR SOLLIDAY:** Governor, there's a report. If
2 you look at Agenda Item 8, there's --

3 **GOVERNOR KULONGOSKI:** Would you do me a favor with
4 that?

5 **DIRECTOR SOLLIDAY:** Yes.

6 **GOVERNOR KULONGOSKI:** And I -- for the Board, look
7 it, I am no -- and I think people know I'm no fan of placer
8 mining, and I do not like this. And what I would like you to
9 do is to actually send that report to every legislator, make
10 sure that they get it.

11 **DIRECTOR SOLLIDAY:** Okay.

12 **GOVERNOR KULONGOSKI:** And I would like a statement,
13 if it's okay with the Board, that we believe that the
14 legislature should review this, and take appropriate
15 legislative action to restrict placer mining in these areas. I
16 just think this is -- it's one of those issues I -- I don't
17 care what the price of gold is, it's not good in the long term
18 for Oregon to have this happen.

19 And one of the great histories of people who like to
20 travel Oregon, like I do, if you go over to Baker City and you
21 come out of Baker City, and you run up the valley, you'll see
22 what mining does, as it literally destroyed the landscape in
23 Sumpter and restructured it with that dredge that they ran up
24 and down every creek over there. And they have still not been
25 able to rehabilitate it. And that's been done for many, many

1 years. And I have a great concern that this is one of those
2 things that we will do to ourselves in the short term and pay a
3 long-term consequence for it.

4 And so I would ask that the Board send a message that
5 the legislature should review this to see if we can restrict
6 this activity.

7 **DIRECTOR SOLLIDAY:** Okay. How about I suggest
8 this -- I'll draft a letter on behalf of the Land Board that
9 would go as a cover letter with a report that we put together
10 for the Board, and I'll send it out to all of you --

11 **GOVERNOR KULONGOSKI:** That would be fine.

12 **DIRECTOR SOLLIDAY:** -- for review before we send it.

13 **GOVERNOR KULONGOSKI:** That will be fine.

14 **DIRECTOR SOLLIDAY:** Okay. Great. We'll do that.

15 **GOVERNOR KULONGOSKI:** Thank you.

16 **DIRECTOR SOLLIDAY:** Thank you. So Governor, you'll
17 notice that your gavel is missing, and that's because we have
18 one other item that we need to take care of today.

19 **GOVERNOR KULONGOSKI:** Gordon, before they do this,
20 can I tell you, I'm not going to give you an opportunity to say
21 anything -- no, I'll see you afterwards. But one of the
22 things --

23 **GORDON:** I want to meet with you and the Treasurer --

24 **GOVERNOR KULONGOSKI:** Okay.

25 **GORDON:** -- for ten minutes afterwards.

1 **GOVERNOR KULONGOSKI:** Well, that's going to be
2 difficult, but --

3 **GORDON:** I'll get up -- hey, I'll --

4 **GOVERNOR KULONGOSKI:** No, no, no, no. Gordon, sit
5 there. Great.

6 **GORDON:** You know what I was going to say.

7 **GOVERNOR KULONGOSKI:** I do. The reason is, is that
8 Louise pointed out a very good point, and I had early said
9 something about signing up. And what Louise was admonishing me
10 about is that everybody is treated equally in this process.
11 And just because I'm the chairman I can't go beyond the rules,
12 and you're not going to get a chance to speak in a public
13 forum. So we're all playing by the same rules in here. So
14 that's the way it works. And it's yours.

15 **DIRECTOR SOLLIDAY:** Thank you, Governor. So you once
16 threatened to fire me if I did this, but I'm going to go ahead
17 and do it.

18 **GOVERNOR KULONGOSKI:** And it still holds.

19 **DIRECTOR SOLLIDAY:** Governor, this is your last Land
20 Board meeting, and we couldn't let you get out of here without
21 saying thank you. And I just -- I want to start by talking
22 about some of the accomplishments during your eight years on
23 the Land Board, because they are significant for this agency.

24 And you have been -- paid very close attention to
25 what this agency does, and have shown your personal interest in

1 the activities that the department is engaged in, and that the
2 staff is engaged in. And I want to thank you for your
3 commitment to this agency.

4 And I just want to highlight some things that have
5 happened during the eight years that you've chaired the Land
6 Board because I think they're important.

7 First, we did adopt a new asset management plan in
8 2006, which heads us in a direction that I think will get us to
9 a more balanced real estate portfolio. We adopted master plans
10 for the Stevens Road parcel, the South Redmond parcel, and our
11 stockade block, three major pieces of real estate that we own.

12 The state actually received 3600 acres in in lieu
13 land selections. We're down to 1600, and hopefully we're going
14 to take care of those soon.

15 And while the New Carissa accident did not happen on
16 your watch, it was removed on your watch, so you get credit.

17 Portions of the John Day River and the Rogue River
18 were declared navigable by the Land Board.

19 The department engaged in several permit streamlining
20 activities in our wetlands and waterways program to make it
21 easier for people to get through our permit process. And to
22 get wetland development process in an expedited manner.

23 We saw the growth of our mitigation banking program,
24 which helps developers mitigate for the impacts that they have
25 to waters of the state.

1 The Department of State Lands became part of the
2 economic revitalization team, which we were not prior to your
3 administration. And I think we gained as a result of being a
4 participant, and I think the local communities who get to visit
5 with the economic revitalization team have benefited from our
6 participation on that team.

7 The unclaimed property program has -- our claims are
8 up 400 percent since you were chair -- came onto this Board.
9 And the amount of property that's been reported is up 145
10 percent. So a huge increase in the unclaimed property program.

11 Our school distributions are up 56 percent from when
12 you first arrived on the Board to today, where we're
13 distributing \$50 million a year to school districts.

14 The Land Board award program was started under your
15 leadership. We expanded the South Slough reserve for the first
16 time in many years by adding some additional land parcels.
17 They adopted a new -- and you adopted their new 2006 management
18 plan. And today, you adopted a new natural areas plan.

19 But I think the most important contribution that
20 you've made to the Common School Fund is in the growth of the
21 fund, which was at \$729 million when you became governor. And
22 today it sits at \$1.1 billion. And you personally have
23 contributed over \$44,000 to the Common School Fund through
24 payroll deduction. And for that, I want to thank you.

25 (Applause)

1 **GOVERNOR KULONGOSKI:** Thank you.

2 **DIRECTOR SOLLIDAY:** The governor has been
3 contributing five percent of his salary since he first became
4 governor, and when the furlough days were implemented, in lieu
5 of taking furlough days he donated the amount of money
6 equivalent to those furlough days to the Common School Fund.
7 So your cash will provide education for future generations for
8 many generations to come. And for that, I want to thank you.

9 We have two little things we just want to give you.
10 The first is, you'll remember I was at the Beaver Creek Park
11 dedication.

12 **GOVERNOR KULONGOSKI:** Yes.

13 **DIRECTOR SOLLIDAY:** And you introduced a couple who
14 had visited all of the state parks in the state of Oregon. And
15 I knew you and Mary love to travel around Oregon. So first,
16 here is your day use permit for all state parks.

17 **GOVERNOR KULONGOSKI:** I've been looking for one of
18 those.

19 (Applause)

20 **DIRECTOR SOLLIDAY:** I want to thank (unintelligible),
21 who I think is here somewhere. We corroborated with
22 (unintelligible) gift.

23 And secondly, visiting all of the state parks is an
24 easy thing to do; visiting all of the state trust lands is not
25 so easy to do. So we have a map for you.

1 **GOVERNOR KULONGOSKI:** See, these people know I'm a
2 map person. I love maps.

3 **DIRECTOR SOLLIDAY:** To help you find your way around
4 to all of the common school lands in Oregon, which are
5 identified in red on this map. And so here's your challenge,
6 Governor, as you head off to greener pastures, visit some of
7 our green pastures, our forestlands, our rangelands, our
8 agriculture lands, our industrial, commercial, residential
9 lands, and please feel free to float all of our navigable
10 waterways.

11 **GOVERNOR KULONGOSKI:** This is what happens when you
12 get to be 70 years old. (Unintelligible) say "travel."

13 **DIRECTOR SOLLIDAY:** One more. Great.

14 **GOVERNOR KULONGOSKI:** If I could, just a second. On
15 behalf of the Land Board, and I just want to thank my
16 colleagues, because if there's any one thing I learned in 40
17 years of public service is nobody ever does anything by
18 themselves; it is the work of a lot a people. And all of the
19 things you read wouldn't have happened without the members of
20 the Land Board being part of this, so with the Secretary of
21 State and the State Treasurer, I just appreciate very, very
22 much the opportunity to serve with both of you on this very,
23 very important board.

24 As I've said many times, it's probably -- in my
25 40 years of service this is the most unique board I've ever

1 served on because of the public meetings involved, and the
2 quorum requirements, that if there's a quorum of two people
3 talking to each other, of the board, I have to call a public
4 meeting, and I have to have everybody here. So with three of
5 us, if either of -- any of us talk to each other, we're in
6 trouble. And so it's a very unique process that we go through
7 because we do not talk to each other about these things until
8 we come in here. So I want to thank both of you for all of
9 your help.

10 You know, I have learned a great deal in the time
11 that I've served on the Land Board, and probably the greatest
12 lesson, which I learned a long time ago in public service, and
13 that is listen to the public. Don't be afraid of them. That
14 doesn't -- isn't the same as saying do everything they say,
15 that's what you're elected to do is to make an independent
16 judgment, but you should never be afraid to sit down and talk
17 to them.

18 And with you, Louise, I've had the opportunity to
19 travel the state, and talk to the citizens. And whether it's
20 issues around the ones you've listed, or whether it's marine
21 reserves, all these things, it's good to hear. And feel, as I
22 said, the hot breath of the public as they respond to what
23 you're proposing that they do. And it always helps in the
24 final decision that you make.

25 But I want to get back to you. You have been a

1 pleasure to serve as the director of this department. We
2 haven't always agreed. And you and I have talked about this,
3 but the fact is, I have the greatest respect in your intellect
4 and your commitment to the public good. And I just want to
5 tell you and your staff thank you very, very much for the last
6 eight years. You've made it a very difficult task enjoyable.
7 So thank you. And thank the members. Thank you all.

8 (Applause)

9 **DIRECTOR SOLLIDAY:** Thanks, Governor.

10 (END OF PROCEEDING)

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CERTIFICATE

I, Sue Vandervelden, 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 66, both inclusive, are the true, accurate and complete transcript of the proceedings had upon the said meeting.

WITNESS my hand as electronic transcriptionist this 21st day of December 2010.

Sue Vandervelden, Transcriptionist

sr/sr