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STATE LAND BOARD MEETING

June 14, 2011

State Lands Building

775 Summer Street NE, Salem, Oregon

10:00 a.m.

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1 today is a request for approval of the exchange of quitclaim
2 deeds with several property owners along the Clatskanie River
3 in the downtown Clatskanie area in Columbia County. This comes
4 out of a dispute that arose beginning back in 2007 between the
5 Department and these landowners over the ownership of the
6 submerged and submersible lands in the area of downtown
7 Clatskanie.

8 And the issue is whether the river as it's currently
9 situated in Clatskanie was as it was situated in 1859 when
10 Oregon became a state or whether it has changed its course,
11 either as a result of an avulsion act or as a result of the
12 slow movement from accretion and erosion. And after reviewing
13 some LIDAR data that was available from the Department of
14 Geology and Mineral Industries and doing some research on core
15 dredging activities on the Clatskanie River historically, it
16 became clear, I think, to the Department that it was unclear
17 where the river was in 1859 and that we could -- if we went to
18 court, may not be able to prevail on a court case.

19 And so we worked with Martha Pagel, who was
20 representing the landowners, to come up with a settlement
21 agreement to resolve the issue. And the settlement involves
22 the state quitclaiming to the property owners the upland lands,
23 everything above the Mean High Tide, and the property owners
24 quitclaiming to the State of Oregon everything below the Mean
25 High Tide, so the submerged and submersible lands, and allowing

1 the current structures which exist over and on the submerged
2 and submersible lands to remain there in perpetuity without
3 compensation and any replacement structures within the same
4 footprint.

5 And so what you have before you today is a
6 recommendation that the Board approve the exchange of the
7 quitclaim deeds, which include a perpetual easement for the
8 structures that are currently in existence that have been there
9 for decades in each of these cases.

10 Today, before the Board takes action, Martha Pagel
11 would actually like to address the Board and so with that --

12 **GOVERNOR KITZHABER:** Be good.

13 **DIRECTOR SOLLIDAY:** -- I'd invite Martha up.

14 **MS. PAGEL:** For the record, my name is Martha Pagel.
15 I'm an attorney with Schwabe, Williamson and Wyatt, and I'm
16 representing the -- what I call the Clatskanie group: six land
17 owners, including the City of Clatskanie, who are all involved
18 in this issue. I just want to briefly share a few thoughts
19 with the Land Board before you take action.

20 First, we want to thank Louise and all of her staff,
21 Mark Schumock and the Attorney General's office for their
22 efforts and assistance, really in the last few months, to pull
23 together this settlement agreement that we think offers a fair
24 and sensible resolution to the problem.

25 Also want to thank Senator Betsy Johnson, who's been

1 involved in this issue right from the start representing her
2 constituents.

3 Just briefly wanted to offer a little bit of further
4 background that this group of landowners are folks who have
5 been in the Clatskanie community for a very long time including
6 the city, including one of the landowners, Mr. John Melitch
7 (Phonetic), is here today. They are folks who believe that
8 they've been law-abiding citizens, and as John pointed to me,
9 he has a commendation from local watershed council. They are
10 people who are engaged in the community, engaged in the
11 watershed. They received letters that tell them they are
12 trespassing on state property and that translates to they're in
13 trouble, that they're bad folks. And they have been in a
14 process for the last four years to try to get that straightened
15 out. They've spent a lot of time and money, not just on legal
16 assistants, but also on technical consultants to do extensive
17 historical research in support of their claims, which are based
18 on donation land claims that were issued to them approved prior
19 to statehood and that clearly show this land to be within the
20 boundaries of those donation land claims and don't have any
21 reference to the river at all.

22 I offer that just to say that these facts go back a
23 long way. They are very complicated. Proving the cases takes
24 a lot of time and money for everyone involved. For years now,
25 I've been on a soapbox. I've met with some of you

1 individually, I've been in Louise's chair, looking for a
2 faster, simpler, easier way to get resolution and to get to the
3 point where we are today, the same settlement concept that was
4 put on the table two years ago for an exchange of quitclaim
5 deeds to resolve title, make sure that the state walks away
6 with ownership -- clear ownership to the bed and banks of the
7 waterway and that the local landowners have clear ownership to
8 the land above high water. It seems like it ought to be
9 something we can figure out how to solve without the kind of
10 process that these folks have been through. Having said that,
11 we do support what's in front of you today. We very much
12 appreciate the help that we've gotten from the Department of
13 State Lands and the Attorney General's office, and we urge your
14 approval.

15 **GOVERNOR KITZHABER:** Questions? Is there a motion to
16 approve the quitclaim? So moved. Second?

17 **SECRETARY BROWN:** I'll second.

18 **GOVERNOR KITZHABER:** Objection? So ordered. Thank
19 you.

20 **DIRECTOR SOLLIDAY:** The next action item on the
21 agenda today is a proposed resolution before you today dealing
22 with the 2011-13 distribution to schools from the Common School
23 Fund. The K to 12 budget that was adopted by the legislature
24 and signed by the Governor assumed a five percent distribution
25 from the distributable income account during the 2011-13

1 biennium. The current Land Board policies distribute four
2 percent of the three-year ending bal -- calendar year ending
3 balance and this is similar to what the Board did in June of
4 2009 when the legislature asked the Board at that time to make
5 a five percent distribution during the 2009-11 biennium to
6 assist with the funding crisis that faced the state in 2009 and
7 again, as you know, we're facing a similar financial situation
8 for the 2011-13 biennium.

9 The way the resolution is drafted it would provide
10 the five percent payment assuming that there is enough money in
11 the distributable income account after payment of expenses.
12 And there is, I think, a question. It depends on how the
13 Common School Fund performs and how much in realized earnings
14 and income that we have during the course of a biennium whether
15 we have that amount of money in the distributable income
16 account. It does -- appears though we'll be carrying forward a
17 little bit of a balance in the distributable income account
18 from this biennium to next biennium to get us started and so
19 we'll at least have some money to start with to at least make
20 some -- and hopefully an initial payment and hopefully we will
21 have enough realized earnings.

22 I do want to, and staff is actually recommending
23 adoption of the resolution. But before you do that, I also
24 want to mention that we are starting to take a look, along with
25 the Secretary of State's Audits Division, at the impacts of the

1 current law and the current distribution policy on the Common
2 School Fund broadly. And we will be coming back to the Board
3 probably at the October or December meeting with a discussion
4 about the policy, how it's working, the statute, how it's
5 working, how they work together, and what the impact is on both
6 the distributable income account and the corpus of the Common
7 School Fund so that we have a dialogue about whether the
8 policy -- the direction we're heading is the direction we want
9 to head and -- or whether we want to make changes either to the
10 statute or the policy based on how the corpus is fairing under
11 the current statutes and policy that the Board has. And with
12 that, again, staff would recommend adoption of the resolution.

13 **GOVERNOR KITZHABER:** Yeah, I obviously support the
14 resolution because I signed the Bill. But I do think this
15 merits a further discussion because this is sort of a stop-gap
16 measure. It's not long-term, stable funding and, you know,
17 there's another Bill, House Bill 2543, moving through the
18 process that actually proposes to borrow 19 million dollars
19 from the Common School Fund to shore up the senior deferral
20 program over the Department's revenue. So I think it's
21 important that we have a larger discussion on sort of what the
22 sideboards we want for the Common School Fund, but would
23 certainly support the resolution anyway. Questions?

24 **SECRETARY BROWN:** Governor, I would move the
25 resolution.

1 **GOVERNOR KITZHABER:** Okay. Is there objection?
2 None. It's ordered.

3 **DIRECTOR SOLLIDAY:** Okay. With that we'll move into
4 the information agenda. We're going to start with a panel
5 presentation on the draft Elliott State Forest plan, and I'm
6 going to invite Doug Decker, the state forester, up to
7 introduce this item and then I'll introduce the panels.

8 **MR. DECKER:** Good morning. Good morning, Governor
9 Kitzhaber and Secretary Brown, Treasurer Wheeler.

10 **GOVERNOR KITZHABER:** Good morning.

11 **MR. DECKER:** Staff and colleagues. For the record,
12 my name is Doug Decker. I serve as the Oregon State Forester.
13 I've been in the job since early February. I'm pleased to be
14 in front of you this morning to -- with members of the DSL and
15 ODF Elliott State Forest planning team to be able to hear the
16 panel that Director Solliday will introduce in just a moment.

17 My role before you this morning is to briefly provide
18 some context about the draft management plan, how we got here,
19 the implementation plan, as well -- the process that we've
20 worked through collectively to get here. Louise has done a
21 very nice job -- thank you -- has done a very nice job of
22 summing this in the memo to you, which appears in your notebook
23 under item five.

24 So something that you'll come to know about me is my
25 distinct interest in history, and in particular forest history,

1 and the value of examining the past for clues to the present.
2 And I'm not going to dwell on history this morning, but I do
3 want to recognize the tradition that you participate in right
4 now on the Elliott that really began in the 19-teens and the
5 1920s, which was a shared partnership between Governor Oswald
6 West and our first state forester, Francis Elliott, who had an
7 idea and a vision for what state forests could be.

8 Creating the Elliott was a monumental undertaking,
9 which we don't always necessarily appreciate. It definitely
10 was. It's definitely a rich history marked by a desire to
11 model sustainable forest management and to provide for
12 adversity of needs and benefits and it's a privilege to be
13 involved in that.

14 So I want to take just a few minutes and touch on a
15 couple of key aspects related to -- kind of reminder about the
16 origin of our pathway. You will recall in December of last
17 year after ten years of significant energy and good-faith
18 negotiations, our agencies and the federal services were unable
19 to agree on a habitat conservation plan that would be both
20 consistent with constitutional mandate for the management of
21 Common School Fund lands and consistent with the federal
22 criteria for issuing an Incidental Take Permit under a proposed
23 HCP.

24 This inability to reach an agreement was definitely
25 not the result of a lack of commitment. There was a lot of

1 energy and investment on the state's part, including DSL and
2 ODF and ODFW, as well as federal services, particularly the
3 U.S. Fish and Wildlife Service.

4 So when it became clear that we were not going to
5 reach agreement and following your direction in December of
6 last year, the agency set out on a pathway to modify the draft
7 2006 Forest Management Plan to accommodate a take-avoidance
8 approach that would manage risk under the Endangered Species
9 Act and would also be consistent with the constitutional
10 mandate. So since December, the DSL and ODF team have been at
11 work on two key elements that will define the future management
12 of the 93,000 acre Elliott State Forest, as well as about 2,300
13 acres of scattered lands in Coos and Curry and Douglas
14 Counties.

15 The first is the 2011 draft Forest Management Plan,
16 which uses this take-avoidance approach to allow for harvest
17 while avoiding threatened endangered species and their habitat
18 and the specific resource bills that are in the plan and the
19 strategies create a balance among all resources to meet the
20 mandate and also provide some specific strategies for
21 conservation areas.

22 So the draft Forest Management Plan is coupled with
23 the draft 2012 Elliott Implementation Plan, which guides all
24 the activities in the FMP for the first ten years. And, as you
25 know, both plans just went out for public comment at the first

1 of June.

2 So a few thoughts about the Implementation Plan and
3 then I'll close with some thoughts about the process here. The
4 IP for the Elliott achieves a sustainable harvest level of
5 between 35 and 40 million board feet through several key
6 strategies that I want to touch on.

7 The first is actively managing to favor a diversity
8 of different stand structures that include key legacy
9 structural components like standing dead trees and downed wood.
10 And the current amount of advanced structure on the forest is
11 approximately 43 percent. Again, that's a result of the
12 history of these lands. Under this plan, advanced structure is
13 expected to remain within a 30 to 50 percent range. Modeling
14 actually indicates that the plan will increase advanced
15 structure to about 50 percent in the next 35 years. So that's
16 a key component of the IP.

17 Another one is managing conservation areas to protect
18 special resources and to avoid the take of T and E species.
19 Under the IP, about 25 to 30 percent of the forest will
20 actually be off limits to harvesting due to protections for
21 both terrestrial and aquatic habitat. That's another key
22 strategy of the IP, another key aspect.

23 Within that context, harvest units will be planned to
24 protect areas such as Marbled Murrelet Management Areas, slopes
25 that are affected by public safety considerations, inner zones

1 of riparian areas and suitable owl habitat within owl circles
2 that are needed to avoid take and a key component there.

3 Within the multi-resource approach, and again, in the
4 context of managing risk and compliance with T and E
5 protections, the Elliott will generate between 35 and 45
6 million board feet of timber per year, an average yearly
7 harvest of 40 million board feet is anticipated, and just for
8 context -- to put those numbers in context, we estimate that
9 the biological growth rate of the forest could reach 75 million
10 board feet per year if the forest was managed purely for volume
11 growth.

12 And a look-back at harvest data shows that under the
13 1995 Forest Management Plan with the HCP, annual harvest
14 averaged about 25 million board feet per year. So there's a
15 little context for you in terms of capacity, past history and
16 then this IP focusing on the 35 to 45 million board foot range.

17 So I guess to close the recap as we get ready for the
18 panel, I want to mention our current status relative to public
19 involvement. We open public comment period both for the FMP
20 and the IP on June 1st. It will stay open through August.
21 There are two public hearings that are scheduled on the plans.
22 The first one is on July 19th in North Bend and then July 20th
23 in Coos Bay.

24 So following those two hearings, we will review all
25 the input. We will incorporate any needed changes and produce

1 a final FMP for your approval in October. That's the plan
2 right now. Currently, we will be working with the Board of
3 Forestry -- or concurrently, actually, working with the Board
4 of Forestry to share the results of the public comment. Once
5 we review that and refine that at the -- and package that at
6 the end of the comment period, as well as the final drafts.
7 And the Board of Forestry is scheduled to receive the final FMP
8 for their approval in November.

9 So today we're kind of two weeks into the 90-day
10 comment period, which that represents an advanced opportunity
11 to hear from multiple voices representing a broad range of
12 interests.

13 And with that I will turn it back to Louise to
14 introduce the panel and I'll thank you for the opportunity to
15 join you today.

16 **GOVERNOR KITZHABER:** Thanks. Any questions for --

17 **DIRECTOR SOLLIDAY:** No.

18 **TREASURER WHEELER:** Just one. You had mentioned that
19 if you were managing for volume, the average would be
20 approximately 75 million board feet per year. Could you
21 describe managing for volume as opposed to letting the forest
22 regenerate naturally? What's the difference?

23 **MR. DECKER:** I think that that -- and I'll ask Jim
24 Young to tap me on the shoulder here, but I believe that that
25 75 million annual growth number is basically what the forest is

1 growing on an annual basis.

2 **TREASURER WHEELER:** Okay. So that's --

3 **MR. YOUNG:** Yeah.

4 **TREASURER WHEELER:** -- under it's natural current
5 conditions, so --

6 **MR. YOUNG:** (unintelligible).

7 **TREASURER WHEELER:** -- inactive management is --

8 **MR. YOUNG:** Yeah.

9 **TREASURER WHEELER:** Okay. My second was just a
10 listening problem on my part. You mentioned that this plan
11 would lead to an average yield of approximately 40 million
12 board feet per year. You originally started off by saying 35
13 to 40 million, then you later said 35 to 45. Are you meaning
14 45?

15 **MR. DECKER:** I believe the range is -- the range in
16 the implementation plan is 35 to 45, and the average annual --
17 the kind of expectation would be kind of right in the middle of
18 that -- would be 40 million board feet.

19 **TREASURER WHEELER:** Okay. And then related to that,
20 you threw a statistic out there and you said over some period
21 of time the average yield has been 25 million board feet. Can
22 you give me the time period over which it was 25 million board
23 feet?

24 **MR. DECKER:** That was when the forest was managed
25 under the 1995 Forest Management Plan and HCP. So we're

1 looking back now so it's probably six to --

2 **MR. YOUNG:** -- 15 --

3 **MR. DECKER:** -- 15 years.

4 **TREASURER WHEELER:** Okay. And --

5 **MR. DECKER:** Fifteen (unintelligible) --

6 **TREASURER WHEELER:** -- last year, Louise, if I
7 remember correctly, it was 18 million?

8 **DIRECTOR SOLLIDAY:** That sounds about right. Yeah.
9 Yes.

10 **TREASURER WHEELER:** So what, in bullet-point form,
11 would change in terms of increasing our volume which is
12 currently approximately 18 million up to potentially 40 or 45
13 million?

14 **MR. DECKER:** Well, in the take -- under the take-
15 avoidance approach, we would be able to operate on more acres,
16 I believe. Maybe we could have Jim come and talk specifically
17 about that. Jim? Thank you.

18 **MR. YOUNG:** Good morning, Board Members. For the
19 record, my name is Jim Young. I'm the District Forester, Coos
20 District. And under the 1995 HCP, about half of the forest was
21 generally off limits to harvesting as offset for being able to
22 harvest other areas on the forest and protecting owls.

23 Under the take-avoidance plan, there will be more
24 opportunities to harvest in that other half of the forest.

25 **TREASURER WHEELER:** So is it a larger geographic area

1 or is it just a different policy in the same geographic area?

2 **MR. YOUNG:** Different policy in the same geographic
3 area. The 1995 HCP, you know, it was an agreement with the
4 state and the federal services about harvesting that could
5 occur. In exchange we received an incidental take permit where
6 we didn't have to survey for owls every year on all our timber
7 sales. The new plan we will have to survey for owls and
8 murrelets.

9 **TREASURER WHEELER:** Thank you. I appreciate it.
10 Thanks, Governor.

11 **GOVERNOR KITZHABER:** Ted, thank you.

12 **DIRECTOR SOLLIDAY:** So next we're going to have three
13 different panel presentations. We're going to start with some
14 conservation organizations, followed by some representatives of
15 the timber industry and then followed by -- with some
16 representatives of the public generally. And I'll introduce
17 everybody now and so I don't need to do it later.

18 We've asked each of these panelists to keep their
19 remarks to five minutes and I'll sort of be the timekeeper and
20 remind folks when they're getting close to the five-minute
21 timeline. And so with that I'm going to start.

22 The first panel will be Mary Scurlock from the
23 Pacific Rivers Council, Josh Laughlin with Cascadia Wildlands,
24 and Brent Davies with Ecotrust.

25 And they'll be followed by Bob Ragon from the Douglas

1 Timber Operators, Jim Dudley with Roseburg Forest Products, and
2 Dave Ivanoff from Hampton Lumber Sales.

3 And then the final panel will be Susan Morgan, who's
4 a Douglas County Commissioner, Chuck Bennett with the
5 Confederation of Oregon School Administrators on behalf of the
6 education beneficiaries, and Tim Vredenburg, who is with the
7 Coquille Tribe.

8 And with that I'll ask the first three panels to come
9 up.

10 (Pause)

11 **GOVERNOR KITZHABER:** Welcome.

12 **MS. SCURLOCK:** Good morning members of the Board.
13 Thanks for inviting me to present Pacific Rivers Council's
14 perspective on management of the Elliott State Forest --

15 **MR. DECKER:** Mary, could you put --

16 **MS. SCURLOCK:** My name is Mary Scurlock.

17 **MR. DECKER:** Very good.

18 **MS. SCURLOCK:** I'm the policy director at Pacific
19 Rivers Council and my focus is on aquatic and riparian
20 ecosystems and the 30 fish and six amphibians affected by
21 management of the Elliott.

22 Secretary Brown and Treasurer Wheeler may recognize
23 some of my remarks from the Board's December 2011 [sic]
24 meeting. So it's my pleasure to be here only 18 months or so
25 later. I have not had the pleasure of addressing Governor

1 Kitzhaber on these issues since his second term, but given that
2 the management of aquatic and riparian ecosystems on the
3 Elliott has been in play for quite some time since the Coho
4 were listed in the mid-90s, at least, he, too, may find some of
5 my remarks familiar.

6 I'm going to make five key points. As I think I
7 recommended here last time, and unfortunately the
8 recommendation did not come to pass, it's our perspective that
9 avoiding all take of listed Coho and other species is a very
10 high standard to meet and that taking this approach has legal
11 and other risks. We had very much hoped that the Board would
12 not abandon the quest for federal assurances under a habitat
13 conservation plan for both terrestrial and aquatic species.

14 It's our understanding that the conservation measures
15 of the National Marine Fishery Service had requested for Coho
16 Salmon would've translated into about five million board feet
17 less in projected annual timber volume than would those that
18 were required by the Fish and Wildlife Service. But the Board
19 was unwilling to basically admit its (Phonetic) -- was to deem
20 those demands unacceptable.

21 And it's our concern that the public interest in
22 having reliable conservation of aquatic and riparian resources
23 is of high value and that the state is going to be exposed, as
24 I think you're well aware, to ESA enforcement actions based on
25 the take of protected species.

1 It seems to us that because the current aquatic and
2 riparian strategies are the same strategies that were
3 essentially rejected by the feds as being inadequate to meet
4 standard under a habitat conservation plan, that it's quite
5 likely that we may not be meeting the no-take standard, which
6 is theoretically a little bit higher, and that we may end up
7 coming across some inability to rely on our projections of
8 harvest because of take-avoidance measures that we may not be
9 able to anticipate reliance on the survey-type approach,
10 particularly for owls and murrelets that was referred to
11 earlier.

12 So our fear is, really, that a second point that the
13 aquatic strategy does not actually avoid take of listed Coho.
14 And I think for the very same reasons that the habitat
15 conservation plan negotiations broke down with NMFS (Phonetic),
16 there were really six key points of disagreement over whether
17 the plans conservation measures were adequately addressed.
18 Those were over stream temperature, wood availability and
19 delivery, fine sediment delivery from existing roads, increased
20 road mileage, unstable slope protection and certainty of
21 proposed compensatory mitigation.

22 The two issues with the greatest management
23 implications involve stream temperature and availability of
24 wood to streams, particularly from smaller perennial streams
25 and headwater areas.

1 These are the same issues that continue to cause ESA
2 and Clean Water Act related legal problems for the BLM's
3 Western Oregon plan revisions. And as was discussed during the
4 negotiations, an adequate management plan for the Elliott would
5 more closely approximate the Habitat Conservations Plans in
6 place on state lands in Washington state.

7 The most significant problems for us are that the
8 proposed plan allows too much logging of all types too close to
9 streams, particularly the smallest ones, and on steep slopes
10 and headwalls, and does not recognize the extent to which
11 aggressive thinning of riparian stands, even if intended to
12 promote mature forest conditions, which we endorse, will not
13 actually result in a net benefit to aquatic and riparian
14 ecosystems due to impacts on deadwood availability. And there
15 are some major discussions going on right now about the science
16 on that.

17 Our concern is that the current course of action will
18 perpetuate the situation described by the Coho Biological
19 Review Team last year when it recommended continued protection
20 for Coho Salmon as threatened and found that many places on the
21 coast we had not improved Salmon habitat complexity and, in
22 fact, it had declined in the Mid South Coast and Umpqua basins.

23 I want to remind you that the impacts of management
24 on the Elliott do not remain on the Elliott. They will
25 propagate downstream. We have the headwaters of some core

1 areas, places like Ten Miles Lakes, that are -- the Ten Mile
2 Lakes' basin being fed by sub-basins on the Elliott, Big Creek,
3 Noble Creek, Johnson Creek, other areas that are recognized as
4 core under the original Oregon plan for salmon and water sheds.

5 And we urge the Board to reevaluate the level of
6 risks being taken in these types of high-value areas. We also
7 urge you to take to heart the analytical weaknesses that were
8 uncovered by the IMST's report in its review of the habitat
9 conservation plan and DEIS.

10 And, lastly, we believe that it is not only the
11 Board's -- within the Board's authority, but the Board's
12 obligation to consider aquatic and riparian conservation
13 measures that would address these concerns and take less risk
14 with aquatic and riparian resources.

15 And just to remind you, I am also, in addition to
16 being a conservation professional, the mother of school-age
17 children that attend public schools and I sincerely would not
18 be making these recommendations if I thought that I am
19 preventing you from solving the school-funding crisis. I
20 believe that we can make the additional conservation measures
21 without undue sacrifice to those interests.

22 **GOVERNOR KITZHABER:** Any questions for Mary? Okay.

23 **MR. LAUGHLIN:** Land Board members and staff, for the
24 record my name is Josh Laughlin, a campaign director of
25 Cascadia Wildlands based in Eugene and we represent about 5,000

1 members and supporters across the country, most of whom live in
2 Oregon. The issues going on on the Elliott State Forest
3 currently are of much interest to our organization and our
4 membership.

5 I'm here to reiterate to the Land Board that there is
6 a better way forward in managing the Elliott State Forest that
7 can meet the mandate of the Common School Fund lands while not
8 increasing clear cutting on the Elliott State Forest as
9 proposed by the draft 2011 Forest Management Plan. We believe
10 the plan in front of you currently is destined for more
11 controversy and failure and Oregonians deserve better.

12 First, I'd like to just take you for a quick fly over
13 of the Elliott to let you know what's going on on the ground
14 down there if it's been a little while since you've been down
15 there. Just a couple of quick shots here. This is typical
16 forest practices taking place on the Elliott, a very -- oh,
17 this is advancing on its own. Typical forest practices, these
18 are two just very recent clear cutting timber sales on the
19 Elliott. This was logged a couple years ago. The previous
20 shot was logged about three years ago.

21 It's a very typical pattern of clear cutting of
22 complex rainforest, replanting with dense rows of conifers,
23 dousing the landscape with herbicides and sanitizing the hills
24 of native mountain beaver. If you're not familiar with this
25 critter, it calls the Elliott home and the coast range home.

1 According to Oregon Department of Forestry, the state kills
2 approximately 30,000 mountain beaver through trapping on the
3 Elliott every year as they have a tendency to out-compete the
4 conifers that get planted down there after their natural food
5 sources are killed off by herbicides.

6 We believe these forest practices taking place on the
7 Elliott are antiquated, out of touch with 21st-century public
8 values, and are by far the worst of the worst taking place on
9 public lands in the Northwest. And I can say that with a fair
10 amount of assurance because our organization monitors a lot of
11 public forest management in the region.

12 Let's jump forward here, just again another shot of a
13 timber sale called the Cold Crystal Sale to be sold off this
14 year. Just classic example of older forest on the Elliott
15 being sold off to the highest bidder every year.

16 This is not an uncommon sight on the Elliott State
17 Forest. This is the west fork in the Millicoma River. More
18 than once we found rock crawlers crawling up and down
19 federally-listed Oregon Coast Coho Salmon spawning and rearing
20 habitat. It's astounding to us that this activity is tolerated
21 on our public waterways.

22 Just wanted to give you an update on what's going on
23 with northern spotted owls on the Elliott State Forest.
24 According to Oregon Department of Forestry, in 1993 we had
25 approximately 69 spotted owls. The most recent density

1 (Phonetic) survey showed we had approximately 29 owls, possibly
2 less, because a few of the sites may have been counted twice.

3 So we have ongoing habitat lost through fragmentation
4 down there; i.e. clear cutting complex rainforest, and now
5 we've got the barred owl that's invaded the Elliott State
6 Forest and is adding an additional stress to this endangered
7 species.

8 You all know that the new plan is in front of us.
9 It's going to double the clear cutting. As you heard ODF talk
10 about, it abandons promises made on the Elliott State Forest
11 habitat conservation plan. You heard Mary talk about the
12 science not being supported with the riparian strategy.

13 And we're here, again, to reiterate to the Land Board
14 that we believe there's a better way forward. I, as well, have
15 a child about to be school age and think we can do better. And
16 I believe there's a recipe for success on the Elliott that
17 includes land swaps, conservation acquisitions, carbon
18 sequestration projects that we've just started to begin to
19 explore and you're going to be hearing more from Ecotrust about
20 that, and receipts from plantation thinning. There's
21 approximately 24,000 acres of commercially viable plantations
22 on the Elliott today that could be commercially thinned that we
23 would support, except ODS proposing to clear-cut up to 1,000
24 acres in this new plan.

25 Lastly, we believe that with enough commitment we can

1 work together to find a fresh and workable solution for the
2 Elliott while fulfilling these fiduciary responsibilities.
3 Until then, it appears to us that the state is running afoul of
4 the law and of science while seriously undermining its
5 reputation as being in the forefront of cutting-edge
6 environmental practices.

7 Please continue to use us as a resource and thanks
8 for the opportunity today.

9 **GOVERNOR KITZHABER:** Questions for Josh? Ted?

10 **TREASURER WHEELER:** I have a question. Maybe it's
11 for staff, maybe not for Josh specifically. What is a rock
12 crawler?

13 **MR. LAUGHLIN:** A rock --

14 **TREASURER WHEELER:** And, clearly, that's separate
15 from the discussion of forest as we're talking about it, the
16 active management of the forest. There's a question of
17 recreational issues here and I guess my question is what are
18 they and under what policy are they allowed on our rivers?

19 **MR. LAUGHLIN:** I can give you a quick little bit of
20 feedback and ODF can take it from there. It's a new species we
21 found on the Elliott. It's a huge, jacked-up modified pick-up
22 truck that crawls up and down. We've passed on pictures to
23 Oregon Department of Forestry and National Marine and Fishery
24 Services. We haven't seen any policy change. Again, it's --
25 yes, it --

1 **TREASURER WHEELER:** Is it legal? I guess that's my
2 question. Is that legal?

3 **MR. LAUGHLIN:** That's a great question for the state
4 and the feds.

5 **TREASURER WHEELER:** And what are they doing? Are
6 they fishing or are they just --

7 **MR. LAUGHLIN:** They're having fun.

8 **TREASURER WHEELER:** Okay. Well, that -- crawling on
9 rocks --

10 **DIRECTOR SOLLIDAY:** Yeah.

11 **TREASURER WHEELER:** Okay. I learn something new
12 every day. I've never seen that before and it strikes me as a
13 not particularly good use of our streams.

14 **MR. LAUGHLIN:** Okay. Brent? I'll switch spots with
15 you.

16 (Pause)

17 **GOVERNOR KITZHABER:** Welcome.

18 **MS. DAVIES:** Thank you. Thank you, Governor, and
19 Land Board Members. My name is Brent Davies, and I am with
20 Ecotrust, and I am delighted to be here today to talk with you
21 about a project that we worked on with the Department of State
22 Lands, the Department of Forestry, and the U.S. Fish and
23 Wildlife Service.

24 Ecotrust's mission is to inspire fresh thinking that
25 creates economic opportunity, social equity and environmental

1 well-being.

2 We worked with the Departments and the Service to
3 evaluate the forest carbon sequestration potential on the
4 Elliott under the different habitat conservation plans that
5 they were considering about a year ago, and we -- the objective
6 was to compare the different targets -- the different volume
7 targets per year. And the idea was to provide more information
8 about the quantity of carbon that could be stored under these
9 different regimes.

10 What we did was modeled different scenarios that
11 included a no-harvest, or what you might call a grow-only
12 scenario. Then we also modeled the three different targeted
13 annual harvest level that you've heard about, the 30 million
14 board feet, 35 million board feet, and 40 million board feet of
15 annual harvest levels.

16 We also modeled what a private land allowable harvest
17 would be, so what an industrial forest manager might do, and
18 then looking at the climate action reserve, which is one of the
19 predominant protocols for carbon -- forest carbon offset
20 projects, we looked at what they have come up with as the
21 regional averages. So basically what the average private
22 landowner is doing in the region.

23 I am going to skip to the conclusions in the interest
24 of time and trust that you know that our work was completed
25 following the most rigorous and transparent third-party

1 protocols. Like I mentioned, we did work closely with Nancy
2 Hirsch (Phonetic) and Jim Paul (Phonetic) and Louise and staff
3 from the U.S. Fish and Wildlife Service.

4 What we found was that a target of 40 million board
5 feet per year, if you compare it to the 30 million board feet
6 per year, the difference if you were to stay with or switch to
7 a 30 million board feet per year harvest was about a savings of
8 about the same as removing 10,000 cars from the United States
9 highways per year. And it's about half that if you were to go
10 for 35 million instead of 40 each year.

11 So in conclusion, one of the benefits from long
12 term -- the type of long-term careful variable retention
13 forestry practiced by the Forest Service and the Oregon
14 Department of Forestry that we haven't yet figured out how to
15 capitalize on is the impressive capacity to sequester carbon
16 dioxide from the atmosphere. Cutting older trees is, however,
17 a significant release of carbon that can take centuries to
18 recover from a carbon accounting perspective.

19 We also found that if the State could figure out how
20 to buy some time and wait for ten to 30 years, we could
21 essentially have our cake and eat it, too. That is, we could
22 achieve a 40 million board feet per year harvest target and
23 continue to increase the level of carbon sequestration into the
24 future.

25 So you have a challenge before you. What are the

1 creative, innovative solutions upon which we pride ourselves as
2 Oregonians that Oregon can come up with? We looked at carbon
3 on the Elliott using forest carbon methodology for projects
4 under the improved forest management category for offset types
5 increasing harvest especially on older forests does not qualify
6 for the carbon offset market.

7 These slides I just wanted to show is that it just
8 shows how half the forest, as Doug mentioned, is largely an
9 older forest condition and about half the forest is in younger
10 structure.

11 So what we did not evaluate was the opportunity to
12 sell carbon offsets under the avoided deforestation category.
13 These markets are new and still working out the kinks, but they
14 are real and growing.

15 Last year the global forest carbon market exceeded
16 \$130 million. That's just the forest carbon market, not the
17 carbon offset market, but the forest carbon market. And the
18 regional demand for forest carbon projects is expected to
19 increase significantly next year with the start of California's
20 cap-and-trade system, just set to start January 1, 2012.

21 So I'll just leave you with an example. This is just
22 a rough calculation just to get some ideas if the state could
23 qualify for an avoided deforestation project or potentially an
24 improved forest management project, what kind of dollars are we
25 talking about?

1 So if you said 20 million board feet is approximately
2 the equivalent of 100,000 tons of carbon dioxide equivalent, at
3 today's prices right now at \$10 a ton, that's about a million
4 dollars of revenue. Now prices are expected to increase next
5 year. The demand is going to be greater than the supply for
6 the California market in particular.

7 I just leave you with this example and I think we
8 could compare this to acres harvested and, again, particularly
9 in the older forests. If you -- and if it was an avoided
10 deforestation project that you could qualify for the per-acre
11 quantity of tons would be significant.

12 **GOVERNOR KITZHABER:** Questions? Thank you very much.

13 (Pause)

14 **MR. RAGON:** Good morning --

15 **GOVERNOR KITZHABER:** Good morning.

16 **MR. RAGON:** -- Governor Kitzhaber, Secretary Brown.

17 **SECRETARY BROWN:** Good morning.

18 **MR. RAGON:** Treasurer Wheeler.

19 **TREASURER WHEELER:** Good morning.

20 **MR. RAGON:** Thank you for having us. My name is Bob
21 Ragon. I am executive director of Douglas Timber Operators,
22 which is a regional trade association located in Roseburg,
23 representing Forest Products Industry and Coos, Lane and
24 Douglas Counties. By the way, those three counties are the
25 highest timber producing counties in the state of Oregon

1 consistently year after year after year. So we are in heart of
2 timber production land in that area.

3 I want to put the Elliott in context also because it
4 is an important revenue source for our schools, but is also an
5 important wood source for our mills in that region. If I can
6 remember to talk and do this at the same time -- these are
7 slides of who owns the forest.

8 The first slide public industrial timberland owners
9 own six million acres. By the way, the total forest land --
10 productive forest land in Oregon is 26 million acres. Oregon
11 Department of Forestry managed 780,000 small wood lots -- 4.7
12 million, BLM 2.1 million, U.S. Forest Service 12.1. The
13 industrial timberlands amount to 23 percent of the total while
14 the Forest Service and BLM are 59 percent of the total.

15 This is the average timber harvest in Oregon from
16 2004 to 2008. The industry harvested -- the total is 4 billion
17 feet is what it averages in that period of time. The industry
18 harvested 22.9 billion feet, which was 73 percent of the total.
19 I can go slower, if you want, but since Louise told me to get
20 with it, I won't --

21 **DIRECTOR SOLLIDAY:** You have copies of all these
22 (unintelligible) presentations (unintelligible).

23 **MR. RAGON:** Okay.

24 **GOVERNOR KITZHABER:** Right.

25 **MR. RAGON:** The BLM, 120 million feet; the Forest

1 Service, 250 million feet. So basically the industry in our
2 state is being run by the timber that comes off our industrial
3 timberlands with very little coming from our federal forests,
4 even though they are 59 percent of the total forests in this
5 state. Just to remind you again, this is who owns the forest
6 and you saw where the harvest came from.

7 The next slide is an average harvest level per acre
8 per year, which is the way that we kind of measure our
9 standards of growing trees. The industrial timberlands are
10 producing about 500 board feet per acre per year that's being
11 harvested. We're harvesting about 85 percent of the growth.
12 So the growth is closer to 600 board feet per acre per year on
13 those lands.

14 Oregon Department of Forestry comes in a rousing
15 second, so they get a brownie point for that. About 380
16 million board -- 380,000 board feet per acre per year -- 380
17 board feet per --

18 **UNIDENTIFIED FEMALE VOICE:** Yeah.

19 **MR. RAGON:** -- acre per year. BLM at 56 board feet
20 per acre per year and the Forest Service at 21. This is the
21 reason that rural Oregon is suffering so badly in the state of
22 Oregon is the lack of management of our federal forestlands.
23 That's why the Elliott is so important to us. It's another key
24 player in keeping our industry infrastructure in place,
25 productive and operating.

1 This slide was prepared by ODF as part of the power
2 point introducing take-avoidance strategy and new plan for the
3 Elliott. And the numbers have been talked about for the 75
4 million board feet per year is what the forest grows on all
5 acres. Historically, in '70 and '80 when we were building
6 roads and harvesting, we harvested about 56 million feet as an
7 average. In 1980 and 1990, averaged 41 million. If you were a
8 member, we went through a horrible recession also in the early
9 days in the 1980s and that's part of the reason that harvest
10 level was lower.

11 Adopted -- the owl came along, we adopted new
12 strategies that greatly reduced the harvest levels on the
13 Elliott and now they're proposing to harvest at this level for
14 the next -- for this management plan. And that number is 53
15 percent of the growth of the forest.

16 This slide depicts some modeling runs that were done
17 on the Elliott. Several years ago we had attended numerous
18 board meetings -- Board of Forestry -- and asked that they
19 develop a baseline run to indicate to us -- show us what was
20 being -- what is the tradeoff for the proposed management plan
21 versus what the forest would produce under a different
22 management schedule.

23 The bottom here is a managing the forest that were
24 private lands under the Forest Practices Act. The middle one
25 was an -- the middle alternative we developed with a longer

1 rotation, and this is the proposed plan for the Elliott. You
2 can see this is the inventory buildup that will occur on this
3 forest under this management program over the next 150 years.

4 The cash flow under those three scenarios for the
5 next 50 years the proposed plan will deliver \$800 million.
6 That middle alternative, \$1.35 billion, and the forest
7 practices act would deliver \$1.7 billion.

8 **GOVERNOR KITZHABER:** About what -- over what time
9 period is that?

10 **MR. RAGON:** Fifty.

11 **GOVERNOR KITZHABER:** Fifty.

12 **MR. RAGON:** The -- excuse me. This, Governor, is 150
13 years out to the end --

14 **GOVERNOR KITZHABER:** Right.

15 **MR. RAGON:** And the cash flow analysis we did was
16 just for 50 years.

17 **GOVERNOR KITZHABER:** Okay.

18 **MR. RAGON:** And the points we want to make are the
19 new plan is a take-avoidance strategy, which we've been
20 advocating for several years now after following this plan
21 development to deal with ESA. This is what private industry
22 does. This is also what you do with the rest of your state
23 forests.

24 I have shown the preceding graph. Even the new plan
25 is very conservative harboring even just slightly more than

1 half the annual growth. At some point in time we believe you
2 folks and the Board of Forestry are going to have to decide
3 what are you going to do about the continual buildup of the
4 standing timber inventory on the Elliott. When is enough,
5 enough?

6 Finally, the new plan will add jobs -- 120 jobs in
7 mills and woods, another 240 jobs in forest services -- in
8 support and services, all desperately needed in Coos and
9 Douglas Counties.

10 We urge the Land Board to approve the Board of
11 Forestry's proposed management plan for the Elliott and
12 rulemaking to implement it by January 1st. Thank you.

13 **GOVERNOR KITZHABER:** Thanks, Bob.

14 **DIRECTOR SOLLIDAY:** Question.

15 **TREASURER WHEELER:** Just one --

16 **MR. RAGON:** Yes.

17 **TREASURER WHEELER:** One quick question, if I may,
18 Bob. Your slide right there -- the new plan will add 120
19 direct, 240 indirect, over what timeframe?

20 **MR. RAGON:** The second you start selling the new
21 harvest level.

22 **TREASURER WHEELER:** Okay. Thank you.

23 **MR. DUDLEY:** I, too, would like to thank the
24 Governor, Secretary Brown, Treasurer Wheeler for giving us this
25 opportunity to speak to you today. For the record, my name is

1 Jim Dudley. I'm the timber manager for Roseburg Forest
2 Products. I have a Bachelor of Science degree in wildlife
3 biology and close to 20 years of experience dealing with
4 spotted owl issues, how they -- in regards to private land
5 management.

6 So I'm here today in support of a move away from the
7 HCP to a take-avoidance strategy. Our company owns about
8 625,000 acres, all within the range of the northern spotted
9 owl. We deal with these same owl issues every day. There's
10 arguments about predictability of even flow of timber and
11 revenue. We feel that with a take-avoidance strategy actually
12 protect the birds where they exist leaving the habitat they're
13 required to reproduce rather than putting aside reserves in the
14 hopes that animals utilize -- or birds utilize those reserves.
15 We hear it referred to on the BLM all the time as virtual owl.

16 With over 50 percent of the timberland set aside in
17 both Oregon and California in the main range of the northern
18 spotted owl, I think it's become clear that habitat is no
19 longer the limiting factor and the scientific community is
20 struggling with what to do with the barred owl.

21 While I think it's important and critical that we
22 continue to protect the birds where they exist and do
23 everything we can to aid in their recovery without addressing
24 the barred owl, leaving 100 percent of the habitat behind is
25 not going to be enough to recover the spotted owl.

1 And so we need to -- we need to get creative has been
2 mentioned several times today. We need to get creative in how
3 to deal with the barred owl. It's a far more aggressive
4 generalist that can out-compete the spotted owl and the
5 marginal habitat, as well as the best of the best old-growth
6 habitat.

7 Our company is very reliant on the Elliott. We've
8 talked about context and volume. The 40 million feet that the
9 Elliott would produce under this current plan is about ten
10 percent of what our annual need is each year. Roseburg Forest
11 Products employees over 2,000 people in southwest Oregon and
12 northern California and when you look at the collapse of most
13 of northern California and eastern Oregon once the federal
14 government got out of the timber management business, it's made
15 things like the Elliott critical to the survival of the
16 existing infrastructure. If it weren't for the private land
17 and state lands along the coast range of Oregon, I think we
18 would have suffered the same fate.

19 So I'm encouraged by the direction that the state is
20 taking to go in a new direction. I think that takes courage to
21 admit that something's not working and move forward. As we
22 look at all the challenges that are in front of us, log export
23 to Asia being probably the largest one, those of us that have
24 decided to stay in the domestic markets, provide jobs, try to
25 compete with finished product rather than exporting our own --

1 our logs, we're incredibly reliant on the small amount of
2 public timber that's left available today and this change in
3 direction of the Elliott will help make that worthwhile to stay
4 and protect the local jobs.

5 So I thank you for the opportunity to speak to you
6 today and I'm happy to see you take this step in a new
7 direction. Thank you.

8 **GOVERNOR KITZHABER:** Thank you. Any questions?

9 **MR. DUDLEY:** Thanks.

10 **MR. IVANOFF:** Good morning, Governor Kitzhaber,
11 Secretary Brown and Treasurer Wheeler. I am Dave Ivanoff, Vice
12 President of Resources for Hampton Lumber. We are a family-
13 owned forest products company employing over 400 people in our
14 sawmills in Willamina and Tillamook. We will also be adding
15 new employees when our newly acquired and remodeled Warrenton
16 sawmill is brought online later on this summer. Our company is
17 very, very dependent upon a steady flow of both private and
18 public timber, but especially state timber in northwest Oregon.

19 And just like the Elliott State Forest, state lands
20 on the north coast are unnecessarily constrained with long
21 rotations, riparian and aquatic strategies that go far beyond
22 the standards of the Forest Practices Act and other impediments
23 to higher timber outputs.

24 Despite the occasional criticism that has surfaced
25 over time, there is no evidence that the Forest Practices Act

1 is not providing the environmental safeguards that Oregonians
2 justifiably require from active forest management as a result
3 of this landmark law.

4 Our industry has always said that if new data or
5 science suggests that those environmental safeguards are not
6 being met, the industry is very willing to modify the Forest
7 Practices Act and the rules that provide those safeguards. But
8 absence such data, the Forest Practices Act is protecting water
9 quality, air quality, fish and wildlife habitat and other
10 environmental amenities, and in our view, just like private
11 lands, state lands ought to be managed to those same standards.

12 Included with the material that has been provided
13 you, I have attached a spreadsheet that would illustrate what
14 the timber output levels and revenue flow would be if the
15 management practices on the North Coast were changed to those
16 under which the Forest Practices Act would be the guiding
17 standard.

18 And if you can see from the data, not only would we
19 harvest about 135 million board feet on a sustainable annual
20 basis, we would also generate 40 million -- \$42 million of
21 additional, annual and sustainable revenue flow on those three
22 north coast districts.

23 The current forest management strategy harvest less
24 than 50 percent of what is being grown on the landscape up
25 there and, in my view, during these incredibly difficult times

1 we can ill-afford not to take a hard look at how we could
2 manage these lands to improve Oregon's economy.

3 And while the Department of Forestry may do a similar
4 modeling exercise to what I've done that generated the data on
5 this spreadsheet, any credible analysis is going to show that
6 there's a staggering difference between what is being done on
7 the ground and what could be done.

8 In 2009 and 2010 I was asked to serve by the
9 Department of Forestry on a public advisory committee to
10 provide guidance to the Board of Forestry on the Greatest
11 Permanent Value Rule, which is the underpinning around which
12 state forest lands are managed. My colleagues on that
13 committee included another member from the timber industry, the
14 public at large, including a county commissioner, and several
15 members from the conservation community.

16 After a series of meetings, I really became convinced
17 that there was a win-win opportunity to improve timber
18 production and simultaneously achieve the environmental values
19 that all of us care about, and some in the conservation
20 specifically care deeply about.

21 I presented a spreadsheet that illustrated how we
22 could significantly improve harvest levels and still achieve
23 the complex forest structure over time. And while the process
24 of the pack did not allow a vote to be taken on my proposal,
25 I'm convinced by the dialogue that went on in that last meeting

1 that the majority of those people on that pack would have
2 supported that.

3 At the counsel of Forest Trust Land Committee meeting
4 in early April in 2010, the counties unanimously endorsed my
5 proposal and encouraged the Board of Forestry to consider that.

6 In summary, the need for more public timber has never
7 been greater as significant private timber is being exported to
8 China and other Asian countries. Family-owned companies like
9 Hampton are imperiled with inadequate raw material as never
10 before. Higher timber outputs from state lands will alleviate
11 the stress being felt by Oregon's domestic forest products
12 infrastructure in the communities in which we operate.

13 We respectfully request the Land Board provide clear
14 direction to the Department to implement more robust harvest
15 levels on our common school lands, but also on the Board of
16 Forestry lands to again relieve the stress that our rural
17 communities are going to feel.

18 I can't overstate the sense of urgency that's needed
19 to improve public timber supply to prevent the further
20 downsizing of the forest sector in this state and the further
21 compromising of the social fabric of our rural timber-dependent
22 communities.

23 I very much appreciate the opportunity to testify.
24 Thank you.

25 **GOVERNOR KITZHABER:** Thank you. Are there questions?

1 **TREASURER WHEELER:** Just one. And thanks very much,
2 Dave. Personally, I agree with you that if you're going to
3 harvest timber in Oregon the highest stated (Phonetic) value is
4 mulling it and finishing it here.

5 But my question relates to the export question. You
6 said that if we increase the volume out of the Elliott State
7 Forest, that somehow is going to help the local family
8 manufacturers cope with the increased exports that are
9 currently taking place in China, both on the demand side and on
10 the currency side, but won't you still compete in an open
11 market for that supplier? What's different about the way the
12 state forest is managed that it guarantees you a larger chunk
13 of the state's supply?

14 **MR. IVANOFF:** Secretary Wheeler --

15 **TREASURER WHEELER:** Ted's fine.

16 **MR. IVANOFF:** Okay. Ted, my -- the way I view the
17 overall mix of timber supply is you have federal, state and
18 private, and over the last -- since the recession began in
19 2006, the industry has basically throttled production back
20 commensurate with what the demand and what the liquidity will
21 allow in terms of market take-away of the finished production.

22 And over the last ten to 14 months, the private
23 component of that raw material mix has been compromised by at
24 least 50 percent in terms of wood going to China. So what you
25 have is companies like Roseburg, Hampton and others that are

1 still trying to compete and operate. We're now dealing with
2 less available raw material as a result of that foreign log
3 export activity.

4 And what we need -- in my personal view, I don't like
5 log exports, but I don't believe it's the government's job to
6 tell a private landowner where they can sell their logs. But
7 we have in my mind unutilized vast resource wealth in this
8 state that could not only improve the overall economic climate
9 in the State of Oregon but help protect the infrastructure that
10 exists right now because we are facing a raw material crisis of
11 unprecedented proportions right now.

12 **TREASURER WHEELER:** I'm sorry, Dave --

13 **MR. IVANOFF:** Other primary manufacturers that export
14 private wood, or any kind of wood, are not qualified to bid on
15 state timber.

16 **TREASURER WHEELER:** That's what I was getting at.
17 Okay. So it has to --

18 **MR. IVANOFF:** (unintelligible).

19 **TREASURER WHEELER:** -- has to be a manufacturer
20 that's going to use it. Okay.

21 **MR. IVANOFF:** It restricts anyone that exports --

22 **TREASURER WHEELER:** Okay.

23 **MR. IVANOFF:** -- logs either directly or third
24 party from bidding on that. So what it does, it levels the
25 playing field for all of us that are -- it's still at market

1 price, but it levels the playing field for all of us that are
2 choosing not to take our private timber and holdings
3 (unintelligible) --

4 **TREASURER WHEELER:** Okay. So if I'm an exporter I
5 can't bid on these to begin with?

6 **MR. IVANOFF:** Correct.

7 **TREASURER WHEELER:** Okay. I understand now. Thank
8 you very much. Thanks, Governor.

9 **GOVERNOR KITZHABER:** Thank you.

10 **MR. RAGON:** Could I add one thing --

11 **GOVERNOR KITZHABER:** Please.

12 **MR. RAGON:** -- since I'm the oldest of this bunch?

13 The recession of 1980 taught us a lot of things, one was it was
14 a very hard recession, also, but the thing that did happen
15 through that recession is public timber continued to flow. We
16 continued to buy timber sales. We bought timber sales that met
17 that market so when the market did turn, we were running full
18 throttle within weeks.

19 Today that doesn't exist. A lot of private
20 landowners who don't have to cut timber, when the market goes
21 down they quit selling. So all we are able to buy -- the mills
22 are able to buy is timber at the highest level most of the
23 time. So we don't have that cushion anymore, and that's an
24 important loss for us.

25 And in a very real sense, we're not only competing

1 against a strong competitor down the road for available raw
2 material, we're competing against the government of China.

3 **GOVERNOR KITZHABER:** Thank you.

4 **UNIDENTIFIED MALE VOICE:** Thank you.

5 (Pause)

6 **MS. MORGAN:** Thank you. For the record, my name is
7 Susan Morgan. I'm a commissioner in Douglas County. And I
8 would like to thank the members of the Land Board for the
9 opportunity to testify on behalf of the counties as you
10 consider changes to the management plan for the Elliott State
11 Forest.

12 All of our state is hurting for jobs right now,
13 especially our rural areas. And I honestly believe that the
14 greatest help that we can get from the state right now is
15 job -- in the area of job creation and retention.

16 Currently, most of the timber that's harvested on the
17 Elliott goes to mills in Douglas and Coos Counties. So let me
18 share with you a little bit about our reality. You've got a
19 couple of visuals in your package that look like these things.

20 The one that has four sections on it, it shows you
21 the poverty indicators. All of these are widely accepted
22 nationally as indicators to gauge poverty in jurisdictions.
23 And so what I've done is to take the rates of poverty for all
24 ages, the rates of child poverty, the rates at which free and
25 reduced lunches are utilized and the unemployment rates and

1 rank them for the counties in Oregon, highlight Coos and
2 Douglas County on those lists, and give what the Oregon average
3 is.

4 So you can see in all of these categories, Coos and
5 Douglas Counties are beyond the Oregon state average. They
6 rank on the high end of everything. The unemployment problem
7 in Coos and Douglas Counties is longstanding and intractable
8 and ranks well above the state average, which ranks well above
9 the federal average.

10 Sustained yield for the Elliott, as you've heard, is
11 about 75 million board feet a year. The proposed management
12 plan will allow for increasing harvest to 40 million board feet
13 a year, which is slightly above 50 percent of the annual
14 growth.

15 For the families of Douglas and Coos Counties, this
16 translates into job creation and job retention of 120 direct
17 forest industry jobs and 240 indirect jobs providing goods and
18 services to the primary industry.

19 Why is this so important to us? Take a look at this
20 second exhibit that I've given you. This is from the Oregon
21 Department of Employment website, and what I would ask you to
22 take a look at is the first line which is the average pay for
23 all jobs, public and private sectors, in Coos County and
24 Douglas County and in the Oregon average. You can see that
25 Douglas County is about 20 percent below the state average for

1 wages. Coos County is about 25 percent below the state average
2 for wages.

3 But go down and take a look at the items that are
4 highlighted in green. The first one is the NAICS (Phonetic)
5 classification that deals with jobs in the forestry and logging
6 sector. In Douglas County, those jobs pay an average of over
7 \$36,000 a year. In Coos County, they pay over \$44,000 a year.
8 These are very high-quality jobs for us.

9 When you down to the NAICS category of wood product
10 manufacturing, the Douglas County average wage is 42, almost
11 \$43,000 a year. The average Coos County job is almost \$44,000
12 a year. These are in excess of the state average wage in those
13 two categories.

14 The sector that provides goods and services into the
15 industry, a great example of that is on the second page. The
16 NAICS classification around truck transportation because
17 there's a great deal of truck transportation that takes place
18 in the forest products industry.

19 Again, you have average wages -- almost \$35,000 in
20 Coos, almost \$38,000 in Douglas. These are good family-wage
21 jobs that have full benefits, health care, retirement plans,
22 all those kinds of things associated with them.

23 Continuing down, take a look at leisure and
24 hospitality and accommodation and food services, which are the
25 categories that are associated with tourism. These show annual

1 wages of somewhere in the \$14,000 to \$16,000 range, jobs that
2 are not -- they don't provide the kind of benefits, they don't
3 provide the kind of sustainability to our families that we
4 need.

5 Increasing the cut to 40 million board feet a year
6 means that 360 families in Coos and Douglas Counties will
7 receive a solid family-wage paycheck with benefits. These are
8 high-quality jobs, jobs that bring stability to our families,
9 our communities and our schools.

10 You can make a positive difference to our families
11 and communities by increasing the harvest levels. You can make
12 a positive difference to our K to 12 system by increasing the
13 basis in the common school trust fund for investment.

14 I strongly and respectfully urge you to support the
15 proposal for the Elliott and I thank you for your kind
16 attention to my comments.

17 **GOVERNOR KITZHABER:** Thank you. Questions?

18 **MR. BENNETT:** Governor Kitzhaber, Secretary Brown and
19 Treasurer Wheeler, my name is Chuck Bennett. I represent the
20 Confederation of Oregon School Administrators and have been
21 involved with a broad-based group of beneficiaries involved in
22 public education that meets regularly on issues involving the
23 Common School Fund.

24 The Elliott is an important asset of the Common
25 School Fund. The education community values the revenue that

1 comes from the forest for schools statewide. Since 1955, the
2 Elliott has netted \$285 million for the Fund.

3 Establishing sustainable predictable revenue sources
4 for the Common School Fund is vitally important and increasing
5 the Fund's principle will generate higher distributions for
6 schools.

7 We support a balanced approach to managing the
8 Elliott, one that will continue to protect important native
9 habitat while generating money for public education in Oregon.

10 The Elliott's been managed over the past few decades
11 to a relatively high conservation standard with less than a
12 third of the potential annual growth harvested for revenues in
13 recent years.

14 This new plan will continue to provide important
15 conservation for species. One-third of the forest will be
16 excluded from harvesting for the protection of habitat for
17 threatened and endangered species and other natural resource
18 values.

19 Not only will schools benefit from increased timber
20 harvest on the Elliott, but the local economy also will see
21 more economic opportunity through logging employment and other
22 jobs related to the forest. In 2010, about \$50.5 million was
23 sent to Oregon's school districts from the Common School Fund,
24 enough money to fund 600 full-time teachers.

25 The management approach being proposed in the Elliott

1 Forest Management Plan will help increase Common School Fund
2 distributions so school kids across Oregon will benefit. And I
3 guess, in addition, it will have, we believe, a substantial
4 impact in employment in Douglas and Coos Counties where we've
5 seen schools with continually declining enrollment and a
6 variety of other socioeconomic issues that certainly concern
7 all of us in the education community.

8 We really strongly recommend this plan. Thank you.

9 **GOVERNOR KITZHABER:** Questions?

10 **MR. VREDENBURG:** Hi, I'm Tim Vredenburg. I'm the
11 director of land resources and environmental services for the
12 Coquille Indian Tribe, and I just want to thank you for
13 inviting us to be here today.

14 This issue is really one where the values and
15 interest to the State of Oregon converge with the values and
16 interest of the Coquille Indian Tribe, both in how it affects
17 our youth and education, as well as our natural resources. The
18 Coquille Indians have -- leadership has sought not to live in
19 isolation, but rather to invest and support local schools and
20 community, and it's their desire that their tribal youth would
21 attend good public schools and develop into respected members
22 of the community at large, as well as the tribal community.

23 Investing in the Common School Fund through resource
24 management is both appropriate and we would encourage that. In
25 terms of the natural resource management, the Coquille Indian

1 Tribe has been leaders in sustainable forest management,
2 managing under standards consistent with the forest
3 stewardship's certification standards -- or forest stewardship
4 counsel certification standards.

5 You know, water, fish, wildlife, they're more than,
6 you know, political footballs for the tribe, they are their
7 values. They're spiritual in nature, but so is the use of
8 those resources.

9 And for the benefit of the community, and especially
10 for the benefit of their youth, the interest of the tribe and
11 the state converge on the Elliott because what anchors the
12 tribe's forest management philosophy is one of a long rotation
13 management strategy where the tribe, you know, instead of
14 managing on a shorter rotation, which maximizes revenue, has
15 chosen to manage on longer rotations growing older trees,
16 larger logs.

17 The mills that purchase those logs are, frankly,
18 holding on by a thread. They're supplied by wood coming from
19 Canada, Washington and some from California with the failure of
20 our federal forestlands to produce, you know, any real volume.

21 You know, it concerns us that there's no local supply
22 so that the Elliott, we think, is very important to, you know,
23 sustaining that local infrastructure. We've seen what's
24 happened on the east side of Oregon where that infrastructure
25 has gone away and restoration opportunities have been lost.

1 In the same way, we feel that our ability to manage
2 under a long rotation is at risk. And so the management on the
3 Elliott, we think, is key in anchoring that. And we think that
4 the Department of Forestry has done a good job at striking
5 balance between forest management and ecosystem protections.

6 **GOVERNOR KITZHABER:** Questions?

7 **SECRETARY BROWN:** Governor, I do have a question, but
8 not for this panel, maybe for Louise.

9 **GOVERNOR KITZHABER:** I just have one question for
10 Susan. And this is a great presentation. I just had a -- just
11 curious. I was looking at the employment -- or the per-capita
12 wage numbers between Coos and Curry. You're pretty much on par
13 in terms of the per-capita income for wood products
14 manufacturing, but there's a pretty significant difference
15 between per-capita income and forestry and logging. So there's
16 got to be -- I am just wondering what accounts for that?

17 **MS. MORGAN:** And I was taken when I was working these
18 numbers, too, and putting them in this format, and I thought
19 that if the Douglas County loggers got a hold of this they
20 could definitely (unintelligible) --

21 My understanding is that --

22 **GOVERNOR KITZHABER:** I'll shred my copy.

23 **MS. MORGAN:** -- that this is data for 2010 and that
24
25

1 there has been a rising up of the wages in this sector in
2 Douglas County.

3 **GOVERNOR KITZHABER:** Right.

4 **MS. MORGAN:** So that would probably be reflected --

5 **GOVERNOR KITZHABER:** Yeah.

6 **MS. MORGAN:** -- in the next round of numbers
7 (Phonetic).

8 **GOVERNOR KITZHABER:** Yeah. So was just kind of
9 curious.

10 **MS. MORGAN:** Yeah, but I would imagine that this is
11 an interesting (unintelligible).

12 **GOVERNOR KITZHABER:** Okay. Thank you.

13 **SECRETARY BROWN:** Governor, I actually think my
14 question is for Louise or maybe Jim Young.

15 **GOVERNOR KITZHABER:** Okay.

16 **SECRETARY BROWN:** My question relates to what we
17 would have been harvesting under the -- if we had implemented,
18 and I know it was a big if, a multi-species habitat
19 conservation plan, my recollection is that the actual harvest
20 levels, at least that we were talking about at the outset of my
21 term -- my, frankly, running for this office were roughly in
22 the same levels of harvest that we're talking about under take-
23 avoidance. Am I wrong in that?
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1 **DIRECTOR SOLLIDAY:** When we began the habitat
2 conservation planning process, the goal was to hit a target in
3 the neighborhood of 40 million board feet. As a result of back
4 and forth with the services and staff, we were hitting more
5 towards 30 million board feet if we had adopted all of the
6 strategies that both the services wanted us to adopt, but the
7 goal at the outset was to get to a sustainable 40 million board
8 feet harvest level.

9 **SECRETARY BROWN:** Okay. So the actual numbers of
10 harvesting under either plan, at least as we envision it, are
11 not hugely different. Is that fair?

12 **DIRECTOR SOLLIDAY:** That's correct.

13 **SECRETARY BROWN:** Thank you.

14 **GOVERNOR KITZHABER:** Questions? Okay.

15 **DIRECTOR SOLLIDAY:** So just in terms of steps going
16 forward on this issue, as Doug indicated, the -- both the draft
17 plan and the rotation plans are out for public review until
18 August 1st. And once the comment period closes, staff will
19 review -- staff of the Department of Forestry will review all
20 those comments, address any concerns that need to be made and
21 write a final draft for the Board's consideration at your
22 October meeting.

23 The last -- kind of the last informational item, in
24 your packet is just a status report on where we are on the
25

1 five-year review of the Board's Asset Management Plan. Just a
2 reminder, the Board adopted an Asset Management Plan in 2006.
3 It's a ten-year plan and calls for review as we hit the five-
4 year point, so we are undergoing that review.

5 We expect to come back to the Board with
6 recommendations for any changes in that plan later this year.
7 But we provided some information on the amount of land sales
8 and acquisitions that we have undertaken since the plan was
9 adopted.

10 I also might mention that we are still trying to get
11 all of our in-lieu lands, the lands that we were owed -- have
12 been owed since 1859 and we are down to about 1,500 acres that
13 we are still owed, but it's interesting to note -- in a couple
14 weeks I'll be meeting with my colleagues throughout the western
15 states. We are one of the states that has most aggressively
16 pursued our in-lieu land selections. Many of the states
17 haven't even started that process and many are owed many more
18 acres than we were. So we are ahead of the game even though we
19 almost now 20 years after we filed a lawsuit against the
20 federal government are still trying to get the last remaining
21 parcels, but staff is looking at some new parcels actually in
22 the Salem area that may be potentials for us to acquire through
23 those in-lieu land selections.

24 I also want to mention that we have -- we put out --
25

1 we've been talking to staff in the treasurer's office about
2 real estate management generally. We've also put out a request
3 for proposals for real estate broker. We are not real estate
4 experts in the Department of State Lands and so we are looking
5 to use the expertise in the treasurer's office and also
6 potentially use the expertise of a real estate broker. We
7 haven't decided whether we will actually let a contract for a
8 broker or not. We're still talking about how we might manage
9 the land (unintelligible) in particular in a different way than
10 we have been in the past.

11 One of the things we're looking at is that that fund
12 is invested in the Common School Fund as part of the Common
13 School Fund is invested gaining the rates, which the Oregon
14 Investment Council and the Treasurer's office I'll give all the
15 credit to, have been incredibly good the last couple of years.
16 And so the land revolving funds are actually doing better in
17 terms of the rate of return than most of our land assets
18 provide in terms of a rate of return.

19 So as I indicated, staff is continuing to review the
20 work that we've already done under the Asset Management Plan
21 and we'll be bringing any recommended changes to the Board
22 later this year.

23 And I'd be happy to answer any questions about this.

24 **GOVERNOR KITZHABER:** Okay.

1 **DIRECTOR SOLLIDAY:** And then just the last thing I
2 want to do is to give you a real time legislative report. We
3 had two agency bills.

4 Our budget bill, which is actually, I think, on the
5 Governor's desk, if he hasn't already signed it, to be signed.

6 And also our agency bill, Senate Bill 58, which is
7 the bill that transfers the heritage program from the Land
8 Board and the Department to the State Parks Department, I
9 believe is also to the Governor's desk, or should be shortly.
10 The president and those speakers have signed both of those.

11 We also had some removal fill bills affecting the
12 removal fill statutes. Both -- those bills, one's been signed
13 by the Governor and that was House Bill 2189, which is a -- I
14 would call a technical fix. We have Senate Bill 518 and Senate
15 Bill 600, which are still moving through the legislature both
16 sitting on -- actually Senate Bill 518 is back to the Senate
17 for a concurrence vote and Senate Bill 600 has been scheduled
18 on the house floor for the last couple of days.

19 We have some proprietary bills. Senate Bill 600 also
20 includes several provisions related to our proprietary program
21 and that's the bill that we worked with Senator Johnson on with
22 the issues that came up on the north coast when we were doing
23 our waterway leasing rulemaking over a year ago.

24 We've also got some bills we've been paying attention
25

1 to. House Bill 20 -- 2009, which is the Marine Reserve bill,
2 which I think is maybe going to move or not, but we'll see.
3 And House Bill 3109, which is the ecosystem services bill,
4 which may or may not be moving here at the end of this session.

5 The bill that the Governor referenced earlier, House
6 Bill 2543, which we were not tracking until yesterday, does now
7 have an amendment associated with it that would make a loan
8 from the Common School Fund in the amount of \$19 million to the
9 senior property tax deferral revolving account at the
10 Department of Revenue. The way the amendment is drafted gives
11 us cause for concern about repayment and whether money is
12 actually going to be there even to pay the interest in the
13 first couple of years, let alone repay the principle, so we do
14 have concerns with the amendment on that bill and that's the
15 dash 87 (Phonetic) amendment, which we received yesterday.

16 And I think with that, those are sort of the major
17 bills we've been tracking. And I can answer any questions
18 about any of those.

19 **GOVERNOR KITZHABER:** Questions? Okay. Any further
20 business --

21 **DIRECTOR SOLLIDAY:** There is no --

22 **GOVERNOR KITZHABER:** -- for the Land Board?

23 **DIRECTOR SOLLIDAY:** -- further business.
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GOVERNOR KITZHABER: No? Objections? Adjourned.

(END OF PROCEEDING)

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CERTIFICATE

I, Caroline Thomas, 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 59, both inclusive, are the true, accurate and complete transcript of the proceedings had upon the said meeting.

WITNESS my hand as electronic transcriptionist this 23rd day of June 2011.

Caroline Thomas, Transcriptionist

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