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STATE LAND BOARD MEETING

October 11, 2011

State Lands Building

775 Summer Street NE, Salem, Oregon

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1           **GOVERNOR KITZHABER:** So what happens if, later, oil,  
2 natural gas, or uranium are found under Wood Duck Farms?

3           **DIRECTOR SOLLIDAY:** So Governor, the conservation  
4 easement would prohibit the exploration -- the development of  
5 those resources if there were any found in the future.

6           **GOVERNOR KITZHABER:** Okay.

7           **STATE TREASURER WHEELER:** So moved.

8           **GOVERNOR KITZHABER:** Okay. So moved, and seconded?

9           **SECRETARY OF STATE BROWN:** Second.

10          **GOVERNOR KITZHABER:** To approve the request, is there  
11 discussion? Objection?

12                   (Gavel is struck.)

13          **GOVERNOR KITZHABER:** Okay. Move to the informational  
14 agenda.

15          **DIRECTOR SOLLIDAY:** So next item is an informational  
16 item, and that's the annual report on management of the Common  
17 School Forestlands. And Doug Deck -- Decker and Mike Cafferata  
18 from the Department of Forestry are going to come up to the  
19 table. I also want to indicate that John Blackwell, who's the  
20 chair of the Board of Forestry, is with us today in the  
21 interest of this item and the subsequent item on the Elliott  
22 State Forest Management Plan. And with that, I'll invite Doug  
23 and Mike up.

24          **GOVERNOR KITZHABER:** Welcome.

25          **MR. DECKER:** Good morning. Good morning, Governor

1 Kitzhaber, State Treasurer Wheeler, Secretary of State Brown.  
2 My name is Doug Decker, Oregon State forester. I'm joined by  
3 State Forest Division Deputy Chief Mike Cafferata, who's the  
4 principal author of the annual report. We're pleased to be  
5 here this morning. Going to be talking about two Common School  
6 Forestland topics, the first being the report, the second being  
7 the Elliott State Forest Management Plan.

8           You've received a copy of the annual report, and I  
9 want to just briefly highlight a few aspects, and then respond  
10 to any questions and any follow-up that you may have. And I  
11 think, first, maybe I'll focus on the numbers, and then we'll  
12 take a pause. And then we'll go in and talk about some of the  
13 other items in the report.

14           Our revenue transfer to the Common School Fund this  
15 year was \$8.7 million, which is -- which is down about  
16 \$1 million from fiscal '10. This is a low year compared to the  
17 ten -- the five- and ten-year averages. And of course, that  
18 won't come as a surprise, given the economic conditions; the  
19 housing market, the relatively depressed stumpage values that  
20 we've seen.

21           In terms of overall volume harvested, timber sale  
22 purchasers removed slightly more volume this year, a total of  
23 about 32 million board feet, which is up a little bit from the  
24 ten-year average of 28 million board feet. And I would want to  
25 just point out that these logs helped to keep Oregon's milling

1 infrastructure in place at the time when demand from overseas  
2 has provided a lot of competition for -- for logs that Oregon  
3 mills are competing for.

4           There is some level of hope as I talk to forest  
5 economists, some reason to hope that there may be some modest  
6 recovery in fiscal '12 based on a still-increasing demand for  
7 logs in the export market, which puts an upward pressure on log  
8 prices; a reduction of exported wood from the gayate (phonetic)  
9 markets to China; as well as a hoped-for gradual recovery in  
10 the housing market. So those are some things to hope for in  
11 '12 different from this last year.

12           Turning to costs, the costs of managing these lands.  
13 You'll note that our Elliott operations for fiscal '11 are up  
14 slightly over fiscal '10, from 1.9 million last year to  
15 2.1 million this year. That's very consistent with -- with  
16 past years' operations if you look down the -- over the past  
17 years. All other costs in the chart there are shown as other  
18 sources, which refers to other Common School Forestlands; this  
19 is on table one on page six of the report.

20           And that refers to the Common School Forestlands and  
21 central services that are outside the Elliott. Those are costs  
22 shown as other sources. These are Common School Lands outside  
23 the Elliott. They're also up from past years, from 1.4 million  
24 to 1.5 million, and while revenue from these lands is down from  
25 past years.

1           So a significant portion of the -- the costs there  
2 that are shown under "other sources" are things for central  
3 services, which include TNE surveys, contracting, research and  
4 monitoring, and other Common School Land related program costs  
5 that are completed in our Salem office, but really serve the  
6 Common School Forestland estate, and they're not differentiated  
7 by -- by district. So once these costs are backed out,  
8 operating costs on other districts are basically equal to -- to  
9 income. So I wanted to just point that out for you; it may  
10 have jumped out for you when you look at that chart.

11           I all -- would also add, just in terms of context,  
12 that in many cases a single year is not the best measure of  
13 cost, nor of revenues. You'll remember that timber sale  
14 purchasers have up to three years once they purchase the sale.  
15 They can choose to harvest timber during that window as they --  
16 as they choose.

17           So I also -- just on the cost question, I also want  
18 to just assure you, particularly in this environment today,  
19 that we are very cost-conscious and we're focused on efficiency  
20 and effectiveness of our operations. We're going to be working  
21 closely with Louise and the DSL team in the months ahead to  
22 review our business practices and continue to look for ways to  
23 further improve the cost -- the cost-to-revenue ratio.

24           So I want to pause there for a moment to see if you  
25 have any questions or discussion about this aspect of the

1 annual report, and then we'll go into some of the other pieces.

2           **GOVERNOR KITZHABER:** I have just one question. And  
3 is there a -- is there -- is there a trend over time in terms  
4 of the cost-to-benefit ratio? That is, the cost of managing  
5 these forestlands versus the revenue that's brought back into  
6 the Common School Fund.

7           **MR. CAFFERATA:** Yeah, Governor. Mike Cafferata,  
8 Department of Forestry. I think the trend of the last couple  
9 years has been down. We went through a major reduction here  
10 two years ago in response to the declining timber markets. And  
11 so that -- that trend -- before that, it'd been sort of  
12 increasing as we're investing more in the forest, and then  
13 lately it's been down.

14           I would guess, over the next few years, we expect  
15 costs to maybe increase slightly. We have more costs in  
16 spotted owl surveys as we're changing the protocols there, so  
17 maybe it's finally increasing trending costs in the future.

18           **GOVERNOR KITZHABER:** Yeah. Obviously, from sort of a  
19 fiduciary standpoint, we're interested in making sure that we  
20 are not losing money on these forestlands through the  
21 management center. So that's the -- it's like that.

22           **MR. CAFFERATA:** We worked real hard on that.

23           **MR. DECKER:** We're very focused on that.

24           **GOVERNOR KITZHABER:** Okay. Any other questions from  
25 the Land Board? Ted?

1           **STATE TREASURER WHEELER:** Just a couple. You  
2 mentioned there's a three-year period before those -- that  
3 timber needs to be harvested. Are you saying anything in terms  
4 of the trends -- I don't know how you'd call it -- the  
5 inventory? Are you -- do you monitor that?

6           **MR. CAFFERATA:** Inventory --

7           **STATE TREASURER WHEELER:** In other words, do you know  
8 where people are on that three-year cycle and are you seeing  
9 any trends with regard to the totality of the outstandings  
10 within that three-year cycle? Or in other words, are people  
11 just sitting on it, and are you expecting, therefore, increased  
12 revenues in the out years?

13           **MR. CAFFERATA:** I appreciate that question about  
14 trends. Actually, it varies, whether they think the market is  
15 rising or falling. Lately, people have been jumping on their  
16 sales immediately to harvest them as soon as they're bought.  
17 It's been a common trend last year. Prior to that, there have  
18 been quite a bit of waiting, and so we're sort of in a  
19 transition area period right now. We would expect some more  
20 revenue, we think, in coming -- coming years as a result of  
21 that trend as people think it's a rising market.

22           **STATE TREASURER WHEELER:** Let me ask a follow-up,  
23 Governor.

24           **GOVERNOR KITZHABER:** Yes.

25           **STATE TREASURER WHEELER:** Would it be fair to say, in

1 not completely understanding the economics of industries -- so  
2 maybe you could educate me -- is it advantageous to the  
3 purchasers to harvest as soon as possible, or is there any  
4 advantage to waiting? Presumably, they want to wait some  
5 period of time for ideal market trends --

6 **MR. CAFFERATA:** Right.

7 **STATE TREASURER WHEELER:** -- but is the general  
8 philosophy to be quick about it?

9 **MR. CAFFERATA:** You know, I think it's really  
10 purchaser-dependent because they have a certain amount of wood  
11 in their own pipeline, their own lands, other purchases, and  
12 they're trying to balance out those things to keep a stable  
13 supply at their local mills. And I think they use ours as a  
14 buffer to help them manage that -- that local supply for their  
15 current mill. So it's really highly dependent.

16 **STATE TREASURER WHEELER:** And then a final  
17 question --

18 **GOVERNOR KITZHABER:** Please.

19 **STATE TREASURER WHEELER:** -- if I may, Governor.  
20 These assets are not exported, is that correct?

21 **MR. CAFFERATA:** Um-hum (affirmative).

22 **STATE TREASURER WHEELER:** And therefore, the  
23 economics that you're describing don't take into account the  
24 rising prices that we're seeing as a result of timber exports  
25 for raw timber commodity.

1           **MR. CAFFERATA:** Yeah.

2           **STATE TREASURER WHEELER:** Is there more we could be  
3 doing as a matter of policy to help encourage milling and  
4 finishing in the State of Oregon, and then the use of that  
5 resource here in the State of Oregon and Oregon construction  
6 projects to potentially both bolster the price and be more  
7 effective in terms of how those resources are used?

8           **MR. CAFFERATA:** Yeah. I think, to support that local  
9 milling industry, one of the big things is a stable supply of  
10 material. And I've heard lately in other parts of the world  
11 that it had a stable supply, it had more investment into local  
12 mills, recognizing it got a stable supply. So things we can do  
13 around a stable supply for the local mills would help them be  
14 able to invest and make themselves more productive, which will  
15 translate back into higher prices for everybody.

16           **STATE TREASURER WHEELER:** And do you have any ideas  
17 on how we could do that?

18           **MR. CAFFERATA:** Well, at the state -- at our log  
19 flow, you know, being clear about what the expectations are for  
20 future harvests and then filling those through our timber sale  
21 programs so we show a record of stable supply, I think, is one  
22 thing we can do. And at the broader policy level and the  
23 statewide level, there are probably other things we can do  
24 around recognizing how important that is and trying to  
25 encourage a stable supply.

1           **STATE TREASURER WHEELER:** Thank you. Thank you,  
2 Governor.

3           **GOVERNOR KITZHABER:** Yeah. I think there's a larger  
4 question. I don't think this is probably the forum to get into  
5 it. But I think the real question is, how do we -- how do we  
6 actually create -- increase the value of the logs staying here?  
7 You know, I mean, because part of the -- part of the -- part of  
8 the supply issue is driven by the fact that you can just get so  
9 much more by sending the raw log off -- offshore. And I think  
10 it'd be worth trying to explore ways to figure out how to, you  
11 know, increase the value of keeping those job -- those -- those  
12 jobs here or the -- the logs here.

13           **MR. DECKER:** Very good. I want to just touch on some  
14 other key accomplishments from 2011, if I could. Top among  
15 them, I think, in term -- in terms of time and energy and  
16 thought that is the completion of a plan, which we'll take up  
17 next. And this year represents ten years of -- a culmination  
18 of ten years of planning a significant level of coordination  
19 with DSL and ODFW and other partners, cooperators, to create a  
20 plan that we think better meets the constitutional mandates  
21 while providing that -- that suite of social, economic, and  
22 environmental benefits.

23           From a forest management standpoint, activities  
24 standpoint during 2011, some numbers that may be of interest on  
25 Common School Fund Lands. Fifteen timber sales were sold under

1 the current approved plan, seven of them on the Elliott,  
2 estimated to produce a total statewide volume of 42 million  
3 board feet and an estimated eventual value -- and again,  
4 there's that three-year window -- eventual value of about  
5 \$9.3 million.

6           Preparation for each sale involved multiple years of  
7 TNE surveys and a significant amount of planning and  
8 consultation to protect key resources.

9           Fiscal '12 also brought -- fiscal '11 also brought  
10 some new stream-related scientific data, which you've maybe  
11 heard about and will hear more about, called -- in terms of the  
12 RipStream study, as well as some significant stream restoration  
13 work on the Elliott.

14           The RipStream work, working with OSU and DEQ, looked  
15 at riparian stream temperatures and the affect of forest canopy  
16 on those stream temperatures. A multiyear study found that the  
17 stream buffers on small and medium fish-bearing streams on the  
18 Elliott and on other state forestlands have been effective at  
19 preventing harvest activities from changing stream temperature.  
20 So that was useful information. You'll be hearing a little bit  
21 more about the ramifications of RipStream as we -- as we look  
22 at the Forest Practices Act, Oregon's Forest Practices Act as  
23 well.

24           Regarding stream restoration, we did eight projects  
25 in '11, done in partnership with the Coos Watershed

1 Association, with ODFW, and the Partnership for the Umpqua  
2 Rivers, placing large wood in streams to improve Coho habitat.

3           We also worked hard in fiscal '11 to find and protect  
4 spotted owls and marbled murrelets. We conducted more than 500  
5 murrelet surveys on Common School Land, allocating an  
6 additional 450 acres just this year for their habitat to the  
7 existing 11,500 acres protected murrelet habitat on the  
8 Elliott.

9           In fiscal '11, we also surveyed the entire Elliott  
10 for spotted owls, and found 29 owls utilizing 19 activity  
11 centers. This is several more than we found when we did a  
12 similar survey in 2003; we identified 25 owls and 13 centers  
13 then. And just a reminder that each of these activity centers  
14 receive specific protections under our take-avoidance strategy  
15 that include a 1.5-mile-radius circle and 1,800 acres of  
16 habitat protection per activity. So wanted to just point that  
17 out. A busy year, fiscal '11.

18           We also worked -- and you -- you heard the results of  
19 that work -- closely with Ecotrust to model carbon  
20 sequestration potential in the Elliott. And we found that  
21 while carbon market protocols currently limit the viability of  
22 significant carbon-related revenue due to complexities of  
23 additionality and the public ownership of these lands, indeed  
24 we are sequestering a lot of carbon on the Elliott, and -- and  
25 will in the future. I think that as markets and protocols

1 mature, this may indeed hold some promise. And both DSL and  
2 ODF have a high level of interest in continuing to explore  
3 these ideas related to carbon.

4 So fiscal '12, looking ahead, many of the same slate  
5 of activities; timber harvest to produce volume and revenue;  
6 surveys for owls and murrelets; associated protection  
7 strategies; additional stream protection projects; and work  
8 with our stakeholders and with you to respond to policy and  
9 operational questions.

10 So we'd be glad to respond to any further questions  
11 you might have on the '11 annual report, and we'll tee up the  
12 Elliott plan.

13 **GOVERNOR KITZHABER:** Kate?

14 **SECRETARY OF STATE BROWN:** I don't have any. Thanks.

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

16 **MR. DECKER:** Okay. Great.

17 **DIRECTOR SOLLIDAY:** So Governor, next item is the  
18 first action item, and that is a request for adoption of the  
19 Elliott State Forest Management Plan. Jim Young is going to  
20 join us at the table with Doug Decker, and I'm going to turn  
21 this over to them, and we'll all be available to answer  
22 questions after they get done with their presentation.

23 **GOVERNOR KITZHABER:** Okay. Very good.

24 **DOUG DECKER:** Thank you, Louise. All right. Okay.

25 So we are here today to present a forest management plan for

1 the Elliott State Forest, that has been prepared over the last  
2 decade in close coordination with the Department of State Lands  
3 and many other state and federal cooperators. The plan  
4 represents a significant amount of work by these partners and  
5 by our stakeholders. And throughout the process, we've had  
6 several key goals here.

7           First is to meet the constitutional obligations of  
8 the Common School Fund. Second, to meet your asset  
9 expectations as the State Land Board. Third, to meet the  
10 obligations of the federal Endangered Species Act from a forest  
11 management standpoint. Also, to consider the history and the  
12 needs and the unique opportunities and challenges of the  
13 Elliott Forest itself. And then lastly, and very important, to  
14 meet as best we can the diverse expectations of communities of  
15 interest and communities of place.

16           And as you can see today and hear today and read  
17 today by the public comments, some are supportive of the change  
18 from the 1995 plan and some are not. And we have worked with  
19 these publics throughout the process, have provided  
20 opportunities for input all along the way; testimony here at  
21 the State Land Board meetings, testimony before our Board of  
22 Forestry meetings.

23           We've held public comment periods, both required as  
24 part of rulemaking, as well as just part of the -- not  
25 required, just to help us create a draft -- draft a stronger

1 plan. And the results of what we've heard are -- are part of  
2 the plan today and have led to some changes along the way.

3 I would say that this is an adaptive plan. And in my  
4 view, forest management must be adaptive by its nature. We  
5 expect to learn as we go forward and to improve our approaches  
6 based on that learning.

7 And as -- as Oregon's new state forester, I want to  
8 reiterate that it's important to me that we approach our work  
9 with that degree of humility, and that we continue to work with  
10 the diversity of stakeholders, to explore their ideas. We also  
11 need to keep clearly in mind the sideboards and obligations of  
12 the Common School Fund Lands and -- as well as the expectations  
13 that you have set out for us.

14 The plan does represent some significant shifts from  
15 the -- from the current plan. First, it does increase revenue,  
16 and it attempts to meet the return-on-investment goals that you  
17 have set out for Common School Forestlands. Second, it moves  
18 from a habitat conservation plan approach to a posture of take  
19 avoidance, to comply with the Endangered Species Act.

20 Having said that, I also want to recognize and note  
21 that our first preference, and one that we pursued for many  
22 years working closely with our cooperators and the services,  
23 was to utilize an HCP as part of our management plan for the  
24 Elliott.

25 And in the last 18 months, through conversations with

1 you as well as with the Fish and Wildlife Service and the  
2 National Marine Fishery Service, we collectively arrived at an  
3 impasse on the negotiations, which ultimately led in our move  
4 away from an HCP approach to a strategy of take avoidance. And  
5 you know, I would just observe that the opportunity to pursue  
6 an HCP at some point, some future point, remains on the table.  
7 That opportunity has not been foreclosed.

8           So I would also just add about the plan, before I ask  
9 Jim Young to talk about some of the -- the details here, is  
10 that with the passage of the plan, we commit this year to  
11 refresh our ten-year monitoring strategy and to identify and  
12 advocate for the resources necessary to complete that  
13 monitoring, to be contained in a separate document that will be  
14 linked to the Elliott State Forest Management Plan, as well as  
15 linked to the district's ten-year implementation plan.

16           As we develop the results from this work, we will  
17 incorporate that knowledge and use it to better manage these  
18 forests. And I expect this to be an ongoing part of a  
19 conversation with you, as well as with Louise and her staff.

20           Jim Young has been our project manager developing the  
21 Forest Management Plan. He's joined me here as probably one of  
22 the most knowledgeable people about the plan and the details.  
23 And I've asked Jim if he would highlight a few of the key  
24 points and expected outcomes, and then to be ready to help  
25 respond to questions and comments. So, Jim?

1           **MR. YOUNG:** Good morning, Governor, Secretary Brown,  
2 Treasurer Wheeler. For the record, my name is Jim Young. I'm  
3 the district forester at the Coos district for the Department  
4 of Forestry. And this morning, I'd just like to take a few  
5 minutes to highlight some of the key points and expected  
6 outcomes of the draft 2011 Elliott State Forest Management  
7 Plan.

8           The 2011 plan is based upon a draft 2006 forest  
9 management plan and was modified to accommodate the take-  
10 avoidance approach. The guiding principles and many of the  
11 concepts and strategies that were in the 2006 plan are also in  
12 the 2011 plan.

13           The harvest volume under the 2011 plan will increase  
14 from the current approximately 25 million to about 40 million  
15 board feet per year, which is well within a sustainable harvest  
16 level for the forest. Annual clear-cut acreage will increase  
17 from about 500 acres to about 850 acres. The annual revenue  
18 will increase from a range of 6 to \$8 million, to a range of  
19 9 to \$13 million, depending upon the market conditions.

20           To comply with the federal Endangered Species Act,  
21 all proposed sales with owl and murrelet habitat will be  
22 surveyed using established protocols to determine if these  
23 species are using habitat in the sale areas. Key habitats that  
24 are being used by these species will be protected to avoid  
25 take.

1           The amount of advanced forest structure, or older,  
2 more complex structure in the forest, will range between 30 and  
3 50 percent over the plan. Currently, the forest has about  
4 43 percent in advanced structure. And over the next three  
5 decades, the amount of advanced structure is expected to  
6 increase to around 50 percent.

7           Conservation areas are -- will be established in this  
8 plan to provide protection for key resources, such as riparian  
9 management areas, steep unique and visual areas, and to avoid  
10 take of northern spotted owls and marbled murrelets.

11           Currently, there is about 19 owl sites on the Elliott  
12 State Forest and over 11,000 acres of marbled murrelet  
13 management areas that are set aside with minimal management.  
14 These marbled murrelet management areas are expected to  
15 increase to about 20,000 acres over the next few decades as we  
16 survey and find more areas that are being used by murrelets.  
17 Over time, about 30 percent of the forest will be off limits to  
18 harvest because of the establishment of these conservation  
19 areas.

20           The aquatic riparian strategies in the plan are the  
21 same strategies that are used on other state forestlands. And  
22 as Doug mentioned, recent monitoring results for these  
23 strategies have shown that they are effective at maintaining  
24 DEQ's cold-water standard.

25           ODF expects that the strategies in the -- in the

1 draft 2011 plan will not only provide compliance with the  
2 federal Endangered Species Act, but will over time provide a  
3 significant amount of high-quality owl and murrelet habitat  
4 that will help contribute to recovery of these species.

5           And finally, monitoring and adaptive management will  
6 use -- be used to assess the effectiveness of the Forest  
7 Management Plan strategies. This plan will be developed during  
8 2012 in collaboration with other interested parties. It will  
9 include opportunities for public comment. The plan will  
10 identify monitoring issues and prioritize projects, and also  
11 describe funding mechanism -- mechanisms. The Forest  
12 Management Plan anticipates that there will be changes as we  
13 monitor the effectiveness of the strategies over time.

14           I'll be glad to assist in answering any questions you  
15 may have.

16           **SECRETARY OF STATE BROWN:** Thank you, Governor. A  
17 couple questions. Jim, would you talk a little bit about what  
18 you see are the significant changes that were made as a result  
19 of the public comment periods? My recollection is there were  
20 two periods of public comment. Could you talk about the  
21 changes that were made as a result of the public comment,  
22 please?

23           **MR. YOUNG:** Yes. During -- after the first public  
24 comment period, one of the things that was changed was we added  
25 strategies and concepts around the idea of carbon

1 sequestration. We also did some clarification about monitoring  
2 efforts that are described in the plan.

3 After the second round of public comments, there was  
4 also some more clarification, again, around the monitoring  
5 effort and the plan that will be dep -- developed after the  
6 Forest Management Plan is approved, if it is approved.

7 And also, clarification about aquatic riparian  
8 strategies and the fact that once stream areas within 100 feet  
9 of a stream are in a mature condition -- which is the case in a  
10 lot of streams on the Elliott -- there will be no harvest in  
11 those areas.

12 **GOVERNOR KITZHABER:** Could you just elaborate on that  
13 last point?

14 **MR. YOUNG:** The -- the aquatic riparian strategies  
15 have a distance of -- of riparian management area. It goes out  
16 to 160 feet. Just for example, on a fish-bearing stream, there  
17 is an inner -- inner part of that 160 out to 100 feet. Once  
18 that area reaches a mature forest condition, then there will be  
19 no more harvest in there. And for the Elliott, that -- that is  
20 the case on many of the streams.

21 **SECRETARY OF STATE BROWN:** Governor, follow-up, if I  
22 may?

23 **GOVERNOR KITZHABER:** Yes, please.

24 **SECRETARY OF STATE BROWN:** Could you talk to me a  
25 little bit about the practical difference between take

1 avoidance and take permits, sort of what the -- what the  
2 reality is in terms of on the ground?

3           **MR. YOUNG:** Yes. The habitat conservation plan that  
4 we had, you know, provided us a lot of management certainty.  
5 It was -- we knew how much we would be able to harvest year to  
6 year. And you know, we didn't need to survey. When we had  
7 both the owl and the murrelet part of that habitat conservation  
8 plan, that we weren't required to survey for those species. So  
9 they didn't affect planned sales. In exchange for that  
10 certainty, you know, certain areas were managed differently or  
11 set aside for mitigation of us being able to do that management  
12 with certainty.

13           Under the take-avoidance plan, there'll be less  
14 certainty year to year, but probably a little bit more  
15 flexibility in areas that we will be able to choose to harvest,  
16 especially as we manage -- you know, survey year to year, find  
17 owls and murrelets, and need to manage around those species.

18           **SECRETARY OF STATE BROWN:** Governor, if I may, a  
19 follow-up to that? So in terms of the actual enday -- the  
20 impact on the endangered species, your -- your sense of how it  
21 will have an impact on the species in the forest.

22           **MR. YOUNG:** Well, as far as murrelets, you know,  
23 those areas out in the forests are going to increase over time  
24 as we find those, and once we find them they are basically set  
25 aside; very little management activities can occur. So those

1 murrelets will be well protected.

2 Same with owls. As we survey and find owls, we will  
3 set aside areas that need to be protected according to our  
4 policies. And you know, those sites will be protected for  
5 those owls.

6 **SECRETARY OF STATE BROWN:** And Governor, if I may,  
7 one --

8 **GOVERNOR KITZHABER:** Please.

9 **SECRETARY OF STATE BROWN:** -- last follow-up. In  
10 terms of this proposal if we were to adopt it, what is the  
11 actual percentage of the forest that would be harvest --  
12 harvested under this proposal?

13 **MR. YOUNG:** Available for harvest?

14 **SECRETARY OF STATE BROWN:** Um-hum (affirmative).  
15 Harvested. Harvested.

16 **MR. YOUNG:** Harvested.

17 **MR. DECKER:** Look at an annual basis as well?

18 **MR. YOUNG:** Yeah. On an annual basis, it'll be less  
19 than one percent of the forest. And you know, over time we  
20 expect that 30 percent of the forest is just going to be off  
21 limits to harvest because of these conservation areas. So over  
22 a long period of time, you could possibly harvest, you know,  
23 70 percent over a long period of time.

24 **SECRETARY OF STATE BROWN:** Thank you, Governor.

25 **GOVERNOR KITZHABER:** Ted?

1           **STATE TREASURER WHEELER:** Yeah. I -- I have a few  
2 follow-up questions, thank you. First of all, the  
3 constitutional instruction to the Land Board with regarding --  
4 regarding to managing the forest is to "Manage with the object  
5 of obtaining the greatest benefit to the people of this state."  
6 Has there been any authoritative interpretation of that  
7 constitutional mandate, and if so, what is it?

8           **DIRECTOR SOLLIDAY:** Treasurer Wheeler -- and I'll  
9 pass it to Mark Schumock to weight in here if I stray too far.  
10 In 1992, there was an Attorney General opinion, what we call  
11 the Crookham opinion, that looked at the question of whether  
12 the Land Board needed to comply with the Endangered Species  
13 Act, but also looked at what the purpose of the Common School  
14 Fund Trust Lands were.

15           And in that opinion, Attorney General Crook --  
16 Crookham clearly indicated that the lands that were granted to  
17 the state at statehood are for the purpose of producing revenue  
18 and to help finance education. And so that is the prevailing  
19 purpose of the lands that were granted at statehood.

20           The Constitution says that we need to manage those  
21 lands for the greatest benefit, but consistent with sound  
22 stewardship of the land. And so we have this -- always have  
23 this balancing act, but the primary purpose is for revenue  
24 generation for schools.

25           **STATE TREASURER WHEELER:** And if I may, Governor, a

1 couple of follow-ups. And it's your -- you have come to the  
2 conclusion and have received advice that this plan is, in fact,  
3 consistent with the findings of Crookham?

4           **DIRECTOR SOLLIDAY:** Yeah. We -- we believe that it  
5 is, that it --

6           **STATE TREASURER WHEELER:** Excellent.

7           **DIRECTOR SOLLIDAY:** -- will maximize revenues over  
8 the long term for --

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

10          **DIRECTOR SOLLIDAY:** -- the School Fund.

11          **STATE TREASURER WHEELER:** Thank you. We received  
12 substantial public testimony that this plan leads to a doubling  
13 of the clear-cutting in the Elliott State Forest. Is that true  
14 or not true?

15          **MR. YOUNG:** Increase on clear-cutting would -- would  
16 be from --

17          **STATE TREASURER WHEELER:** Of old growth.

18          **MR. YOUNG:** Oh, old growth. No. Old growth is  
19 protected under this plan, so -- there's not much old growth,  
20 actual old growth on the Elliott, but that will not be  
21 harvested.

22          **STATE TREASURER WHEELER:** It's my understanding the  
23 Elliott burned or largely burned in the 1860s. Is the  
24 remaining that was not touched by that fire, is that protected  
25 under this plan?

1           **MR. YOUNG:** Yeah. That -- that would be -- for the  
2 most part, that would be the -- the small amount of old growth  
3 that is remaining on the forest, and that would not be  
4 harvested under this plan.

5           **STATE TREASURER WHEELER:** Can you address any areas  
6 of uncertainty identified by the multiplin -- multidisciplinary  
7 science team with regard to the riparian strategies in this  
8 Elliott Management Plan?

9           **MR. YOUNG:** Yes. The IMST looked at primarily  
10 four -- four different areas. And what they looked at was, you  
11 know, not the habitat conservation plan strategies per se, but  
12 they looked at the draft environmental impact statement, which  
13 was an analysis of those strategies.

14           So they questioned some of the analysis and  
15 conclusions from that -- the DEIS, Draft Environmental Impact  
16 Statement -- which was done by a third-party set of scientists  
17 that, under the direction of both the Department of Forestry  
18 and -- and the federal services, US Fish and Wildlife and the  
19 National Marine Fishery Service, those areas of uncertainty  
20 were in the annal -- analysis, not the strategies themselves.  
21 So we can incorporate some of the suggestions from IMST into  
22 our future monitoring plans for the forest --

23           **STATE TREASURER WHEELER:** Excellent.

24           **MR. YOUNG:** -- and we tried to answer some of those  
25 questions.

1           One of the -- the key questions from the IMST had to  
2 do with temperature. And we do have the RipStream study, which  
3 shows that our strategies are protecting cold-water salmon.

4           **STATE TREASURER WHEELER:** Thank you. Governor, may I  
5 ask a couple --

6           **GOVERNOR KITZHABER:** Please, please.

7           **STATE TREASURER WHEELER:** -- more call -- and I'll --  
8 I'll be expedient. Did the Department examine the possibility  
9 of generating revenues through carbon sequestration --  
10 sequestration? Is that still an option? And is there anything  
11 with regard to this plan that would preclude future  
12 opportunities around carbon sequestration?

13           **MR. YOUNG:** Yes. The -- the Department did -- did  
14 look at carbon sequestration. And Ecotrust did a study of the  
15 Elliott State Forest and, you know, estimated the amount of  
16 carbon sequestration presently on the forest and that which  
17 could occur over time under different scenarios. Over time,  
18 they looked at the maximum that could be sequestered and they  
19 looked at what, you know, different scenarios under forest  
20 management would be sequestered and came up with about  
21 60 percent of the total amount that could be sequestered would  
22 be sequestered under these strategies.

23           Currently, there are -- there is not much market for  
24 carbon. But the Department is open and DSL's open to looking  
25 at those opportunities in the future.

1           **STATE TREASURER WHEELER:** And there's nothing about  
2 this plan that would preclude us from pursuing those  
3 opportunities as the market becomes more viable.

4           **MR. YOUNG:** No, there isn't.

5           **STATE TREASURER WHEELER:** Would the adoption of this  
6 plan place off-limits to future opportunities conservation  
7 acquisitions by third parties, and have you received any  
8 offer -- any offers from third parties around conservation  
9 acquisitions? And how would this plan impact the future  
10 opportunities around conservation acquisitions in the Elliott  
11 State Forest?

12           **DIRECTOR SOLLIDAY:** So the -- nothing in the plan  
13 would prec -- preclude conservation acquisition from occurring  
14 in the future. The Land Board, as a part of its asset  
15 management plan that was adopted in 2006, indicated that they  
16 wanted to retain the Elliott State Forest as one of its core  
17 assets. It is the major revenue producer into the Common  
18 School Fund.

19           But as -- when people ask me if we have land for  
20 sale, I always tell them that, for the right price, anything  
21 might be for sale, and people need to come approach us about  
22 their interest in doing that. But I would say there's nothing  
23 in the plan that prohibits the sale of parts or all of the  
24 Elliott at some point in the future should the Land Board  
25 decide to head that direction.

1           **STATE TREASURER WHEELER:** And my last, Governor,  
2 question --

3           **GOVERNOR KITZHABER:** Yes, please.

4           **STATE TREASURER WHEELER:** -- if I may. I alluded to  
5 this in a previous budget item, that we had some public  
6 testimony relating to the exports of logs as a result of the  
7 management plan. Is there anything in this management plan  
8 that changes the existing policy with regard to prohibiting the  
9 export of Elliott State Forest assets?

10          **MR. DECKER:** No, there is not.

11          **STATE TREASURER WHEELER:** Thank you. Thank you,  
12 Governor.

13          **DIRECTOR SOLLIDAY:** And can I just --

14          **GOVERNOR KITZHABER:** Please, yeah.

15          **DIRECTOR SOLLIDAY:** I want to add to that. Not only  
16 can logs off of our lands not be exported, but we cannot sell  
17 those logs to mills that do export. So that -- and that's to  
18 avoid the pot -- potential for somebody to back-fill --

19          **MR. DECKER:** Substitution.

20          **DIRECTOR SOLLIDAY:** -- substitute our logs for other  
21 logs.

22          **STATE TREASURER WHEELER:** It's a tried and true  
23 budgeting strategy as well, but that's for a different day.

24          **GOVERNOR KITZHABER:** Can -- can you talk a little bit  
25 about the -- sort of the ecologic difference between using age

1 versus structure in -- in the plan?

2           **MR. YOUNG:** Yes, I can. Age is not necessarily a  
3 good measure of whether you have good habitat. It depends on  
4 what the -- the site and how the -- you know, the timber has  
5 grown over the years. So a better indicator are the structural  
6 characteristics of the forest and the trees. Characteristics  
7 such as the size, diameter of the trees; size of the limbs;  
8 whether or not there is moss on those limbs; how much downed  
9 wood, snags, and those types of structure are in the forest.

10           **GOVERNOR KITZHABER:** Okay. Can you talk a little bit  
11 about the -- the anticipated cost of the surveying over time?  
12 Is that expected to go up significantly? And one of the  
13 concerns that I've got is to make sure that -- my support would  
14 be definitely contingent on not only having a monitoring plan  
15 but making sure that monitoring plan was -- was adequately  
16 funded. And that's also true with the surveys. Because if we  
17 can't actually adaptively manage this change and change the  
18 management practices over time based on information, then the  
19 monitoring is not particularly relevant.

20           **MR. YOUNG:** Yes. The -- asking what the cost of the  
21 survey is?

22           **GOVERNOR KITZHABER:** I guess I'm asking what -- what  
23 the anticipated cost of the surveys are going forward. Are  
24 they -- are they expected to go up significantly? I mean,  
25 we'll just talk a little bit about that.

1           **MR. YOUNG:** Yeah. They will go up significantly  
2 because, under the '95 HCP, we did not have to survey for owls  
3 on -- on a yearly basis. So that part will definitely go up.

4           **MR. DECKER:** What's the annual cost right now?

5           **MR. YOUNG:** The annual cost -- Mike, can you help?

6           **MR. CAFFERATA:** It was about \$400,000 last year,  
7 murrelets and owls on the Elliott.

8           **MR. YOUNG:** On the Elliott?

9           **MR. CAFFERATA:** Yeah.

10          **MR. YOUNG:** Okay. About -- it was about \$400,000  
11 last year for both murrelets and owls on the Elliott. That --  
12 the survey for the owls was a density study, which surveys all  
13 the habitat in the Elliott. So we won't necessarily do that  
14 every year.

15          **GOVERNOR KITZHABER:** But the -- this -- to just  
16 reiterate again, the survey process prior to a timber sale?

17          **MR. YOUNG:** Yes.

18          **MR. DECKER:** Want to walk through that?

19          **MR. YOUNG:** Oh, walk through that. Sorry. Yes. For  
20 murrelets -- well, both murrelets and owls, it's a two-year  
21 survey protocol. So for each timber sale that we propose that  
22 has either owl or murrelet habitat in it or near it, then we  
23 need to survey for both murrelets and owls to see if they are  
24 using those areas.

25                 For murrelets, about 25 percent of the sales that we

1 survey every year are affected by murrelet occupancy. So we  
2 either lose, you know, whole sales or parts of sales to  
3 murrelets every year, and marbled murrelet management areas are  
4 set aside.

5 For owls, the -- they will move around. And you  
6 know, if we can identify which owl has moved where, then the --  
7 the site that they are occupying will move with them. If -- if  
8 we can't identify which owl it is, then the existing circle and  
9 any circle that they move to also stays in place. So it's a  
10 challenge to -- to manage around that.

11 **GOVERNOR KITZHABER:** Okay. Is the -- I understand  
12 there's 27,000 acres, roughly, set aside. Does that include  
13 the anticipated increased marbled murrelet, the 10,000-acre  
14 increase -- expected increase in the marbled murrelet, or is  
15 that in addition to that?

16 **MR. YOUNG:** No. That -- that includes the -- the  
17 murrelet. And some of these -- some of the acres are, you  
18 know, overlapping. You have riparian management areas. We  
19 have murrelet management areas. We have some steep areas. And  
20 you also have owl areas. So they will overlap in some areas.

21 **GOVERNOR KITZHABER:** But the -- but the -- the 27,000  
22 acres or 30 percent of -- of the forest, that's a -- that's a  
23 geographic total set aside that will be managed for  
24 conservation.

25 **MR. YOUNG:** Um-hum (affirmative). Yes. Yes.

1           **GOVERNOR KITZHABER:** Okay. And just once more, walk  
2 me through the -- the Coho -- the anadromous fish-bearing  
3 streams and the -- and the riparian protections.

4           **MR. YOUNG:** Okay. For -- for fish-bearing streams,  
5 the riparian management area width on each side of the stream  
6 is 160 feet.

7           **GOVERNOR KITZHABER:** That -- is that --

8           **MR. YOUNG:** That's horizontal distance.

9           **GOVERNOR KITZHABER:** It's the horizontal.

10          **MR. YOUNG:** And there is a 25-foot no-harvest,  
11 measuring from the channel migration zone near the stream bank,  
12 25-foot no-harvest. Then out to 100 feet, if there is a mature  
13 forest condition, there will be no harvest. Up to -- from 100  
14 to 160 feet, there's variable tree retention required there.  
15 That's it in a nutshell for fish-bearing streams.

16          **GOVERNOR KITZHABER:** Okay. Okay.

17          **SECRETARY OF STATE BROWN:** Governor, I just have  
18 one --

19          **GOVERNOR KITZHABER:** Yeah. Kate.

20          **SECRETARY OF STATE BROWN:** -- last question. Doug,  
21 you mentioned earlier that the -- the timber off of the Common  
22 School Lands is a significant contribution to keeping our  
23 milling infrastructure open. Can you give me a sense -- can  
24 any of you give me a sense of what percentage of that is off of  
25 state lands? Are we talking 30 percent, are we talking

1 50 percent, are we talking --

2 **MR. DECKER:** I suppose it would depend on the  
3 catchment. You know, kind of the -- the -- like, within the  
4 Coos Bay area?

5 **SECRETARY OF STATE BROWN:** Um-hum (affirmative).

6 **MR. DECKER:** Maybe Jim could give us --

7 **SECRETARY OF STATE BROWN:** That would be really --

8 **MR. DECKER:** -- an estimate of, you know, kind of  
9 your sense --

10 **SECRETARY OF STATE BROWN:** Just rough estimate would  
11 be fine.

12 **MR. DECKER:** -- of supply in the overall Coos Bay  
13 area.

14 **MR. YOUNG:** Okay. I don't think I could actually  
15 give you an estimate of that. But you know, there is a lot of  
16 timberland down there in the Elliotts; it's just 93,000 acres.  
17 It's important because of the type of -- of timber that it has  
18 there, and the mills are very interested in it. But it's not  
19 the major supply by any means; it is an important one.

20 **SECRETARY OF STATE BROWN:** Okay. Thank you.

21 **GOVERNOR KITZHABER:** Ted? Anything else? Okay.

22 Well, before I entertain a motion on this, let me  
23 just say, the record, since it is going to be a written record,  
24 will not reflect the energy and emotion that surrounds this.  
25 Here's a lot of folks who are very -- are interested and

1 concerned about this. There are -- just describe the scene  
2 outside. We've got dozens of folks with placards who are very  
3 concerned about clear-cutting and concerns about carbon  
4 sequestration and concerns about salmon; I see a salmon sign  
5 back there.

6           So let me simply say that this is not a black-and-  
7 white issue. This is -- the -- the Land Board has a couple of  
8 responsibilities that, to some extent, have a tension between  
9 them. It is not an option to simply walk away from any revenue  
10 from these Common School Fund Lands. It's not a legal  
11 obligation or option that we have. So there will be harvest on  
12 these lands.

13           I think the question really is, A, is this an  
14 adaptive management plan? Do we have the opportunity to review  
15 it and revisit over time? The current management plan will cut  
16 about less than one percent a year. So in five years, there  
17 will be less than five percent of the forest affected. And at  
18 any time, this can be revisited based on new science and  
19 monitoring, which is why I was so concerned about the -- the --  
20 the opportunity to -- particularly monitor -- quality  
21 monitoring.

22           And the other question then, of course, is whether or  
23 not these management strategies adequately protect threatened  
24 and endangered species and -- and critical fish habitat; which,  
25 I do think, you've done a remarkable job here. I think it's

1 regrettable that we could not achieve a conservation plan. I  
2 think it would be important that we continue to pursue that  
3 option.

4           And I also think that we should continue the work on  
5 carbon sequestration. We unfortunately don't have a well  
6 developed carbon market at this point in time. And I think  
7 that, sooner or later, that is going to be a key element in a  
8 whole host of economic strategies, including forest management;  
9 but we're not quite there yet.

10           So I'm willing to support this, with the caveat that  
11 we revisit the -- the plan on an annual basis; come back and  
12 have a report on management strategies, and particularly on the  
13 science; that we continue to have a conversation about the  
14 habitat conservation option going forward.

15           **UNIDENTIFIED FEMALE VOICE:** Sell out, sell out.

16           **GOVERNOR KITZHABER:** Do you have a motion?

17           **SECRETARY OF STATE BROWN:** Governor -- Governor, I'll  
18 go ahead and move approval, with those same concerns. I am in  
19 total agreement with your concerns that you have raised.

20           **STATE TREASURER WHEELER:** And Governor, I'll -- I  
21 will second that, with the same concerns on the table, and an  
22 acknowledgment that the Department of State Lands and the  
23 Department of Forestry did for ten years try to pursue an HCP.  
24 And during that ten years, we were not particularly diligent  
25 environmental stewards of the asset, nor were we, in my

1 opinion, achieving our objectives around revenues as  
2 constitutionally mandated. So I see this as a step forward and  
3 I'm proud to second it.

4 **GOVERNOR KITZHABER:** Okay. The motion's been made to  
5 approve the plan, with the -- the caveats that I mentioned, and  
6 please make sure those are reflected in the record. Is there  
7 objections? So ordered.

8 **UNIDENTIFIED FEMALE VOICE:** Sell out.

9 **UNIDENTIFIED FEMALE VOICE:** Shame.

10 **UNIDENTIFIED FEMALE VOICE:** Sell out.

11 **UNIDENTIFIED FEMALE VOICE:** Shameful.

12 **UNIDENTIFIED FEMALE VOICE:** Liar.

13 **UNIDENTIFIED FEMALE VOICE:** Disrespectful pig.

14 **DIRECTOR SOLLIDAY:** The next action item is a request  
15 for adoption of the Central Oregon Area Management Plan,  
16 including approval of some proposed land sales.

17 The -- one of the tasks called for in the asset  
18 management plan that was adopted in 2006 was for us to develop  
19 management plans for all of the state-owned lands that are  
20 covered by that plan. And the Central Oregon Area Management  
21 Plan was a priority because of the amount of parcels that we  
22 own in the Counties of Deschutes, Crook, and Jefferson.

23 There are 34 parcels totaling almost 7,500 acres that  
24 are scattered throughout those three counties. Some of those  
25 parcels are original lands that we got at statehood. Some of

1 those lands are in-lieu land selections that we received.  
2 There are a number of them. I would say the vast majority of  
3 them are zoned for exclusive farm use under the land use  
4 planning system. Many of these sites do not have -- we do not  
5 have access to the parcels. And so we are recommending a  
6 variety of potential actions for these parcels.

7           There are 19 sites that are recommended for either  
8 sale or trade. And many of those that are recommended for  
9 trade have some conservation values, and so we would be looking  
10 for a conservation partner or another agency who is in the  
11 business of conserving lands for conservation purposes.

12           There are five sites that are recommended for  
13 enhanced revenue that we believe we can either put to energy  
14 production or convert from grazing lands to agricultural lands  
15 in order to generate additional revenues into the Common School  
16 Fund.

17           There are five sites that are recommended for future  
18 rural subdivision development, and I would say -- make it clear  
19 that we're not looking to lead the way on rural subdivision  
20 development. The land use -- we -- we need to wait for the  
21 land use system to work its way to some of our parcels. And  
22 there is also one site that's recommended either as a  
23 destination resort, should that destination resort be approved  
24 through the process, or for potential sale.

25           There were informational hearings held on this plan

1 back -- starting back in November of 2010. There was a public  
2 hearing that was held in Redmond on May 10th. And there was  
3 also a Land Board hearing held in Bend on September 27th to  
4 take public testimony.

5           There are nine sites as a part of this recommendation  
6 that we are recommending for immediate sale because they have  
7 little or no revenue potential and, in most cases, have no  
8 access available to us.

9           Those sales would occur through an auction process,  
10 so through a competitive bidding auction process, either  
11 through the Department or through the real estate agency that  
12 we use to sale some of -- sell some of our parcels.

13           So with that, staff recommends that the Land Board  
14 adopt the Central Oregon Area Management Plan and approve the  
15 sale of the nine parcels that are identified in the plan.

16           **GOVERNOR KITZHABER:** Questions?

17           **STATE TREASURER WHEELER:** Just -- just a quick one,  
18 Governor. Could you clarify, please, the destination resort  
19 issue? We -- we took a lot of public testimony on that  
20 particular item in Bend. It's my understanding that this is  
21 not a direct approval of that resort, but it does open the  
22 county process for approval, which still includes public  
23 participation. Is that correct?

24           **DIRECTOR SOLLIDAY:** So Treasurer Wheeler, the dest --  
25 proposed destination resort, which is the Thornburgh resort --

1 I don't know whether that'll be the ultimate name, but the --  
2 has been through the local land use planning process; appealed  
3 a couple of times. And I can't remem -- I can't remember  
4 exactly where it is, but Richard might be able to help with  
5 that.

6 **MR. WHITMAN:** For the record, Richard Whitman,  
7 governor's natural resource adviser. I believe the most recent  
8 extension of the destination resort is on appeal, either before  
9 the Land Use Board of Appeals or Court of Appeals.

10 **DIRECTOR SOLLIDAY:** There -- within the larger  
11 proposed resort, we have a couple of parcels of land. They are  
12 under lease to the resort developer for the purpose of planning  
13 so that they could go through the land use planning process to  
14 see if they could develop the property as a destination resort.  
15 If that doesn't happen, I expect that the lease would be  
16 terminated and we would consider selling the parcels.

17 **STATE TREASURER WHEELER:** Thank you very much. I  
18 appreciate it.

19 **GOVERNOR KITZHABER:** Just a couple of questions. On  
20 the -- on the rural residential subdivision pieces, can you  
21 just walk through us again whether there is a pending conflict  
22 there between our land use goals and, particularly, goals three  
23 and four?

24 **DIRECTOR SOLLIDAY:** Governor, in -- I believe, in at  
25 least one -- a couple of instances, some of these are already

1 zoned rural residential develop -- for rural residential  
2 development. A couple of those that we think have the  
3 potential for rural residential development are not currently  
4 zoned for that use. They're zoned for exclusive for -- farm  
5 use. And that's why I said we would, we think, over time as  
6 those areas grow, they're likely to grow out to those parcels.  
7 And so we would propose to hold onto those in the event that  
8 that future development opportunity occurs.

9           **GOVERNOR KITZHABER:** And can you speak briefly to the  
10 Lava Butte and Lava River Caves? You've got energy/trade.

11           **DIRECTOR SOLLIDAY:** So Governor, those are a  
12 potential for renewable energy, but also may be -- there may --  
13 there's -- in one case is probably interest in preserving  
14 those. They're ones identified as open-space conservation  
15 area, and so we would be looking to trade that to a  
16 conservation partner.

17           **GOVERNOR KITZHABER:** Okay.

18           **SECRETARY OF STATE BROWN:** Governor, just a comment  
19 actually. When we were in Bend, we had the opportunity to hear  
20 from the mayor of Redmond. One of the questions I had for him  
21 was whether the community had ample opportunity to participate.  
22 And he, frankly, praised the Department for its wonderful  
23 efforts for public outreach and to hear from community members,  
24 and I just want to say thank you to the Department for doing  
25 such a great job to make sure that the voices from the

1 community were heard during this process. So thank you,  
2 Louise, and good job.

3 **DIRECTOR SOLLIDAY:** Thanks.

4 **GOVERNOR KITZHABER:** Ted?

5 **STATE TREASURER WHEELER:** Yeah. Just one -- one more  
6 quick follow-up with regard to a question that was raised in  
7 Bend. It was, I believe, with regards to parcel number 30,  
8 which was state land adjacent to an irrigation district, and  
9 there was testimony from some of the local officials asking  
10 that we take into account their desire to protect the water in  
11 the irrigation district. Has -- has -- where does that fit  
12 into the current discussion?

13 **DIRECTOR SOLLIDAY:** So Treasurer Wheeler, we have  
14 been talking to that irrigation district all throughout this  
15 planning process. That parcel is identified for an exchange  
16 with the irrigation district. They have some land that we may  
17 be interested in. And so once this plan is adopted, we would  
18 hopefully bring that exchange to the Board at some point in the  
19 near future.

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

21 **SECRETARY OF STATE BROWN:** Governor, I would move  
22 approval.

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

24 **GOVERNOR KITZHABER:** It's moved and seconded that we  
25 approve the Central Oregon Management Plan. No objection?

1 (Gavel is struck.)

2 **DIRECTOR SOLLIDAY:** Last action item on today's  
3 agenda is a request for authorization to finalize some land  
4 transactions involving the South Slough National Estuarine  
5 Research Reserve.

6 The Reserve currently is comprised of about  
7 4,800 acres in Coos County outside of Charleston. It was the  
8 first reserve created in the country. The Reserve develops a  
9 five-year management plan, and its current management plan had  
10 targeted some surrounding private timberlands for potential  
11 acquisition to expand the Reserve.

12 And today I'm pleased to bring to the Board for their  
13 approval the final approval -- you are the final approval for  
14 this land acquisitions. And it involves the acquisition of  
15 parcels from Plum Creek Timber and also Roseburg Resources  
16 Company.

17 Both of these are willing sellers. They are -- those  
18 lands will move from being managed for forest purposes to being  
19 managed under the National Estuarine Research Reserve  
20 Management plan, which is about protecting those lands for  
21 watershed health and for the health of the South Slough  
22 environment. In addition -- and those two companies, the land  
23 involved with those two companies totals 1,105 acres.

24 In addition, there are 312 acres of Common School  
25 Fund Forestland within the boundary of the South Slough

1 National Estuarine Research Reserve. And South Slough is  
2 interested in acquiring -- so this is a transaction within  
3 ourselves -- the surface rights, the timber rights to those  
4 lands, so that those lands are not harvested in perpetuity.

5           The South Slough was successful in getting two  
6 federal grants. And in addition, they have money that was  
7 bequeathed to them, in what's called the Gustafson account, for  
8 the purpose of acquiring lands to expand the Reserve. And  
9 these transactions will total about \$4,500,000. We're having  
10 final appraisals done because the appraisals we had done are  
11 over a year old. Those funds are all available from the  
12 federal grants and from the Gustafson sun -- fund. The agency  
13 received a limitation in its budget for this biennium to do  
14 these acquisitions.

15           South Slough is very interested, particularly in the  
16 private timberlands that we would acquire, making the potential  
17 for us to look for a carbon buyer for those lands, since they  
18 have been managed under the Forest Practices Act. We probably  
19 can show significant additionality on those lands by managing  
20 them as special stewardship lands instead of as forestlands.

21           The Coos County commissioners needed to approve this  
22 transaction, and on your table you have a letter that we  
23 received. The Coos County commissioners voted unanimously last  
24 week to approve these transactions at our request. The  
25 letter's a little odd, but it gives approval, and that's the

1 important thing. But -- so we have legislative approval; we  
2 have approval from the Coos County Commission; the South Slough  
3 Commission has approved all of these acquisitions and  
4 transactions.

5           And I am recommending to the Board today that you  
6 approve these transactions at the appraised prices when we get  
7 the review appraisals that are expected to come in in the next  
8 month or so. We expect to close all of these transactions by  
9 the end of this year.

10           **UNIDENTIFIED VOICES:** Kitzhaber lies, forest dies.  
11 Kitzhaber lies, forest dies. Kitzhaber lies, forest dies.  
12 Kitzhaber lies, forest dies. Kitzhaber lies, forest dies.  
13 Kitzhaber lies, forest dies. Kitzhaber lies, forest dies.  
14 Kitzhaber lies, forest dies. Kitzhaber lies, forest dies.  
15 Kitzhaber lies, forest dies. Kitzhaber lies, forest dies.

16           **UNIDENTIFIED MALE VOICE:** Who are you working for?

17           **UNIDENTIFIED FEMALE VOICE:** Who do you work for?

18           **UNIDENTIFIED MALE VOICE:** Timber barons is who.

19           **UNIDENTIFIED MALE VOICE:** Earth First see you in the  
20 woods.

21           (Cheering.)

22           **UNIDENTIFIED FEMALE VOICE:** I hope that you don't  
23 sleep at night. You don't fool yourself thinking that you work  
24 for the people. You, in fact, work for corporate greed and  
25 (unintelligible) make sure (unintelligible).

1           **UNIDENTIFIED MALE VOICE:** You guys are (expletive  
2 deleted) scum.

3           **UNIDENTIFIED MALE VOICE:** What about --

4           **UNIDENTIFIED MALE VOICE:** Scum.

5           **UNIDENTIFIED MALE VOICE:** What about your agreement,  
6 your 60-year agreement to protect the forest and -- and wild --

7           **GOVERNOR KITZHABER:** How about allowing us --

8           **UNIDENTIFIED FEMALE VOICE:** How about our children's  
9 future?

10          **GOVERNOR KITZHABER:** -- to conduct our -- to finish  
11 our meeting?

12          **UNIDENTIFIED FEMALE VOICE:** How much are you going to  
13 leave for us?

14          **GOVERNOR KITZHABER:** We've allowed you to be heard at  
15 public hearings.

16          **UNIDENTIFIED MALE VOICE:** Love to hear --

17          **UNIDENTIFIED FEMALE VOICE:** You have not allowed  
18 people to be heard. You've only let us (unintelligible) --

19          **GOVERNOR KITZHABER:** We'll stand in recess until I  
20 have the room cleared.

21                   (A recess is taken.)

22          **DIRECTOR SOLLIDAY:** Staff is recommending that the  
23 Land Board authorize the Department to finalize these three  
24 transactions at the appraised values, and that we would  
25 decertify the Common School Lands from Forest Management and

1 reclassify them as special stewardship.

2           **UNIDENTIFIED FEMALE VOICE:** You have a child. He's  
3 going to be ashamed of you.

4           **GOVERNOR KITZHABER:** We have a motion?

5           **SECRETARY OF STATE BROWN:** Governor, I move approval.

6           **STATE TREASURER WHEELER:** And I second.

7           **SECRETARY OF STATE BROWN:** And staff recommendation.

8           **GOVERNOR KITZHABER:** Moved and seconded that we adopt  
9 the recommendation on the South Slough National Estuarine  
10 Research Area. Is there objection?

11           (Gavel is struck.)

12           **GOVERNOR KITZHABER:** Informational item?

13           **DIRECTOR SOLLIDAY:** So Governor, the last item is  
14 a -- just a quick update for you on the unclaimed property  
15 program. I think the really good news in this report is, we  
16 are seeing the amount of claims that are being paid up  
17 significantly. We brought online a new online claims program  
18 form this year. It has increased the amount of claims  
19 significantly. It has reduced staff time that it takes to  
20 process those claims. Our claim processing times are down.

21           We did receive a little less in fiscal year '11 than  
22 we did in fiscal year '10. That's because in fiscal year '10  
23 we had received a one-time payment from the failure of  
24 Washington Mutual bank, and so we received a lot of receipts in  
25 the process of that bank being absorbed by another.

1           We expect going forward that the online claims system  
2 is going to continue to make our processing time more  
3 efficient, make it easier for people to search for and file for  
4 their claims. We also expect that, over time, the receipts are  
5 going to continue to go up. As society becomes more mobile, we  
6 end up with more folks losing track of their assets that they  
7 have, and so we have seen a pretty steady decline in the number  
8 of receipts.

9           You've got in your -- at the very back of your  
10 notebooks, you'll see two charts; the one that shows the -- the  
11 trend for claims, which is up, and one that shows the amount of  
12 reports that we are getting. And those reports come in  
13 annually in October, so this is our busy month for unclaimed  
14 funds coming in. We normally in October take in somewhere on  
15 the order of 30 to \$40 million dollars, and usually by the end  
16 of the fiscal year we'll be somewhere in the \$50-million range  
17 for the amount of property that's reported.

18           It continues to astound me that people lose  
19 \$50 million worth of their assets annually. It's a growing  
20 portion of the Common School Fund, the value of the unclaimed  
21 property assets that we hold. We have over two million names  
22 in our database of people who have been disconnected with their  
23 assets.

24           We do have finder -- finder services that we use. We  
25 look for anybody who has more than \$500 sitting here. And we

1 have a fairly good success rate in reconnecting people with  
2 those assets through those finder services.

3           And with that, I'd be happy to answer any questions  
4 on this report.

5           **GOVERNOR KITZHABER:** Questions? Kate?

6           **STATE TREASURER WHEELER:** I would just ask, Governor,  
7 to ask a quick question by a constituent that relates to a  
8 certain type of lost property; and that was honoraria,  
9 memorabilia, and medals for veterans. Do we have a special  
10 disposition programs for those particular items, or do we hold  
11 those, or do we do anything special in terms of trying to  
12 locate family?

13           **DIRECTOR SOLLIDAY:** So Treasurer Wheeler, if they are  
14 in a safe deposit box that has been abandoned, we would get  
15 those. We do try to reconnect the contents of safe deposit box  
16 with a rightful owner or an heir of that rightful owner.  
17 Depending -- I think we do keep personal effects for a longer  
18 period of time. We do hold an unclaimed property auction  
19 periodically to dispose of the assets, put the money in the  
20 Common School Fund. It's always available for people to claim  
21 in perpetuity.

22           But if there's something that's special and unique  
23 about something that's in an unclaimed property or in a safe  
24 deposit box, we do retain those; photographs, personal effects,  
25 those sorts of things.

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**STATE TREASURER WHEELER:** If I may, Governor --

**GOVERNOR KITZHABER:** Okay.

**STATE TREASURER WHEELER:** -- just as a suggestion, since this is more of an informational item. It was suggested to me that, potentially, veterans organizations in this area might be interested in those items, and they could take them and try to do something in terms of locating next of kin or interested parties for those items.

**DIRECTOR SOLLIDAY:** Great suggestion.

**STATE TREASURER WHEELER:** Just as a suggestion. Thank you. Thank you, Governor.

**GOVERNOR KITZHABER:** There is no further business. We are adjourned.

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CERTIFICATE

I, Stephen V. Wright, hereby certify that I am an electronic transcriptionist for Business Support Services of Salem, Inc., that as such electronic transcriptionist I prepared from a digital 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 49, both inclusive, are the true, accurate and complete transcript of the proceedings adduced had upon the said meeting.

WITNESS my hand as electronic transcriptionist this 11th day of October 2011.

\_\_\_\_\_  
Stephen v. Wright, Transcriptionist

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