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STATE LAND BOARD MEETING
FEBRUARY 14, 2012
STATE LANDS BUILDING
775 SUMMER STREET NE, SALEM, OREGON

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1 TRANSCRIPT OF PROCEEDINGS

2 **GOVERNOR KITZHABER:** Land Board will come to order. Louise.

3 **DIRECTOR SOLLIDAY:** Good morning, Governor. Happy Birthday to Oregon. One hundred
4 fifty-three years old and we're still owed about sixteen hundred acres of land we were supposed
5 to get in 1859. Just for the record. Only item on the consent agenda today is approval of the
6 minutes of the December 13th meeting.

7 **GOVERNOR KITZHABER:** Okay. You have the minutes before you. Is there a motion?

8 **SECRETARY BROWN:** Governor, I would move approval of the minutes of the December 13th
9 meeting.

10 **TREASURER WHEELER:** Second.

11 **GOVERNOR KITZHABER:** It's been moved and seconded that the Land Board approve the
12 minutes of the December 13, 2011 meeting. Is there discussion? Without objection. So
13 ordered. Louise?

14 **DIRECTOR SOLLIDAY:** Action agenda includes four items today. The first is a request for
15 adoption of the Department's 2012 Strategic Plan. The current Strategic Plan that we have
16 been operating on was adopted by the Board in 2009. Staff updated the plan to reflect some
17 changes in our priority actions to incorporate the new key performance measures for the
18 Department, which were approved by the legislature during the 2011 Legislative Session and
19 also to reflect that the Natural Heritage Program was transferred to the Oregon Parks
20 Department effective January 1st. The Department's work revolves around six overall goals
21 including managing our state lands to benefit schools, sustain a healthy landscape and meet
22 our public trust obligations. Protecting Oregon's waters through the administration of the state's
23 Removal-Fill and wetland programs, administering the Unclaimed Property Program and the

1 estates laws to safeguard those assets for their rightful owners, maximizing our distributions to
2 schools through close monitoring of the Common School Fund, delivering efficient and
3 professional customer service, and serving as a partner for the South Slough National Estuarine
4 Research Reserve down in Charleston, by providing their leadership and administrative
5 oversight. So, I would say, no major changes; the goal statements are essentially the same.
6 We did some minor tweaking to them. They are the goals we have been operating under for a
7 number of years and reflect the various programs that the Department runs. And, with that, staff
8 would recommend adoption of the Strategic Plan. And, Governor, I believe you have a couple
9 of people who are signed up to testify on this agenda item.

10 **GOVERNOR KITZHABER:** Yes, we have, let's see, Josh Kennett had signed up for item two.

11 **Unidentified:** (Unintelligible)

12 **GOVERNOR KITZHABER:** Well, okay – we have Joann Ernst.

13 **JOANN ERNST:** Joann Ernst, citizen of the earth. You and others are elected to represent the
14 people. Yet, you allow rich land baron companies to control you and continue to lie about
15 school funding. You give tax breaks to the private companies who now pay very little to support
16 schools. Instead, you subsidize them to clear-cut state lands, tearing away futures – all the
17 forests for future generations and destroying wildlife habitat, including habitat of protected
18 animals like the spotted owl and murrelet and others that should be protected. Like the red tree
19 vole who likes to fly high, but you continue to bring it down. I'm here to say, I'm not going to sit
20 back and let this (*expletive deleted*) continue. Stop destroying public lands. Think outside the
21 box and figure out other ways to fund schools. There's lots of them.

22 **GOVERNOR KITZHABER:** Thank you. Josh Kennett?

1 **JOSH KENNETT:** Okay. I'm just going to be talking about the Elliott State Forest since that's
2 what – I'm Josh Kennett – since that what I'm here for. So, at 93,000 acres or twice the size of
3 Washington, D.C., the Elliott State Forest is the largest original coast range left in Oregon. This
4 publicly owned rainforest is also the only place in the Pacific Northwest where vast tracks of
5 virgin rainforest are still being grown. This coastal rainforest offers some of the finest remaining
6 habitat in the Oregon coast range for a host of threatened and endangered species, including
7 Coho salmon, marbled murrelet and the northern spotted owl. Due to a 1995 habitat
8 conservation plan that reserved the western part of the Elliott, the worst damage has been
9 contained to the eastern half. But, this is about to change. Due to a new proposed forest
10 management plan, the rate of destruction could double. One thousand acres of virginal
11 rainforest could be leveled every year. For the first time in decades, clear-cutting will be
12 permitted in the western half of the Elliott. Forest management will consist of plowing roads
13 across mountainsides, clear-cutting the forest, spraying the cutover lands with herbicides, killing
14 forest animals like bears and beavers to protect fiber farms and leaving a barren wasteland
15 above salmon-bearing streams. Each year, clear-cutting will release as much carbon – the
16 primary culprit behind climate change – into the atmosphere – as much as 45,000 cars on U.S.
17 highways. But, what about jobs, people say. If we actually wanted to have high employment,
18 the government would selectively harvest trees, which requires far more workers than one man
19 cutting swaths of forests. We should be more focused on employing farmers to grow organic
20 vegetables and fruits to feed every person in Oregon instead of trying to make a few dollars.
21 They sell state-owned land paid for by the taxpayer to corporations for a small percentage of the
22 actual value. The market is really depressed right now. The state is selling the land far cheaper
23 than it usually goes for because the demand for timber is so low right now. And, why is the
24 demand low? Because of the housing market crash that these same corporations were a part
25 of. Why build houses when no one has the money to buy them? The Common School Fund
26 will only account for a small fraction of what schools get from income tax. If the state needs

1 revenue for schools, it would start taxing the corporations at least at an equal percentage as
2 they tax the rest of us. Why not tax the extremely rich at a far higher percentage than just the
3 average person? Why do they deserve millions more dollars than the rest of us? Many of the
4 rich get away with not paying taxes whatsoever and rarely are their years of unpaid taxes ever
5 paid. Why not grow hemp, which grows infinitely faster and would provide the raw material for
6 paper, clothes, oil, canvas and rope. From an economic standpoint it makes far more sense to
7 grow hemp than to cut trees. They are far more productive as sustainable resources. But,
8 hemp is illegal even though it has no psychoactive properties in it. We need change. We need
9 real solutions. That is all.

10 **GOVERNOR KITZHABER:** Thank you. Any questions on item two – Land Board?

11 **TREASURER WHEELER:** Yes, Governor, just a couple of quick questions. Under Goal Three,
12 KPM 12, the target has been increased for the amount of unclaimed property reported and
13 distributed. Could you just give us a quick understanding of what you're going to do to increase
14 the unclaimed property distributions? What are some of the strategies that you're going to
15 pursue to do that?

16 **DIRECTOR SOLLIDAY:** So, Treasurer Wheeler, we've actually been doing a number of things
17 and have seen significant increases in the claims, as a result. We are doing more in terms of
18 press coverage of the fact that we are holding unclaimed property for folks. We are doing
19 outreach in communities. We have sent staff out to fairs – local fairs, festivals. We've done
20 some on-reservation for tribal members trying to make them aware that we are holding
21 unclaimed property for tribal members. So, we do a variety of outreach to folks, as well as there
22 is press coverage. There's also been quite a bit of national press coverage. Good Morning
23 America, Suzy Orman Show and others are starting to cover this on a regular basis and we've
24 been invited to participate in some of those shows to actually hand checks to Oregonians who

1 we're holding property for. Every time we do that, it increases the number of claims that come
2 in the door. We've also changed to an electronic filing system so that people can go online,
3 they can fill out their form, they have to print it out and sign it and send it to us with their – the
4 appropriate paperwork and identification. But, we have seen the number of claims has
5 increased significantly since we've gone online with that claim form. We also are processing
6 claims much more quickly as a result of that.

7 **TREASURER WHEELER:** And, just a follow-up, if I could Governor. In terms of the obvious
8 current budget situation, you don't see any reduced resources going towards the collection or
9 anything that could potentially knock the legs out from the increased distributions you've been
10 seeing in the unclaimed property program.

11 **DIRECTOR SOLLIDAY:** Treasurer Wheeler, we do not anticipate any reductions to our
12 unclaimed property staff. We have been increasing the number of claims and increasing the
13 reporter holdings without having to increase our staff by implementing a number of efficiency
14 measures including going online. We're also moving towards online holder reporting, as well.
15 And, so we are trying to get more modern in terms of how we're handling that program in order
16 to not need additional resources in order to handle the increased workload.

17 **TREASURER WHEELER:** And, I'd like to applaud you and your team on that. I think that's
18 fantastic and obviously we support that. One last question – under Goal 5, KPM 13 – the goal
19 in terms of customer satisfaction, is ninety-three percent. I'm just curious how you picked
20 ninety-three percent.

21 **DIRECTOR SOLLIDAY:** Treasurer Wheeler, we didn't pick it, it's a DAS established goal for all
22 agencies to have customer service levels at that level.

23 **TREASURER WHEELER:** At ninety-three percent?

1 **DIRECTOR SOLLIDAY:** Yes, we do not meet that target, but we have steadily moving towards
2 that target.

3 **TREASURER WHEELER:** Where are we today?

4 **DIRECTOR SOLLIDAY:** I believe last year we were at about eighty-two percent.

5 **TREASURER WHEELER:** Eighty-two percent. Okay.

6 **DIRECTOR SOLLIDAY:** And, we're just about to do our biennial customer service survey in the
7 next couple of months.

8 **TREASURER WHEELER:** Thank you. Thanks, Governor.

9 **SECRETARY BROWN:** Governor, thank you. Could you describe a little bit more about Goal 4
10 and what the underlying plan is there?

11 **DIRECTOR SOLLIDAY:** So, as you know, the major – the core function of this agency was to
12 manage lands that were granted to us at statehood in order to generate revenues to finance
13 public education. And, one of the issues that I think the agency and the Board have been
14 struggling with over a period of time is how to sustain distributions, provide certainty to school
15 districts and we will be bringing to the Board in April and June, a series of policy discussions to
16 really talk about how can we sustain those distributions over time, how can we provide certainty
17 to school districts at the same time that we don't diminish the corpus of the fund.

18 **SECRETARY BROWN:** Thank you.

19 **GOVERNOR KITZHABER:** Other questions? Do we have a motion to adopt the strategic
20 plan?

21 **SECRETARY BROWN:** Governor, I would move that we adopt the Department's 2012
22 strategic plan.

1 **TREASURER WHEELER:** Second.

2 **GOVERNOR KITZHABER:** It's been moved and seconded that the Land Board adopt the
3 Department's 2012 Strategic Plan. Is there discussion? Without objection? (gavel) Item 3,
4 Louise.

5 **DIRECTOR SOLLIDAY:** Next item is a request for adoption of the Real Estate Asset
6 Management Plan. As the Board knows, the – past boards have adopted an asset
7 management plan that guides the management of our real estate assets that are part of the
8 Common School Fund portfolio. The last plan was adopted in 2006, and it included a provision
9 that we do a five-year review and, after doing the five-year review, we decided that, instead of
10 trying to just tweak the 2006 plan, it made sense to re-do the plan. And, that's because things
11 in the real estate market have changed significantly since the 2006 plan was completed. The
12 asset – the new plan that you have in front of you includes four core goals. First, increasing the
13 value and the revenue from our real estate assets, disposing of lower-performing assets and
14 retaining those that have a return on investment that is greater than or equal to the return on
15 investment that we get in the Common School Fund. It sets priorities for our management
16 actions and it also balances – calls for balancing our revenue generation with resource
17 stewardship. We believe that using the rate of return on our Common School Fund financial
18 investments is a mark for our real estate assets is new for this plan and will provide us with
19 good direction in terms of making investments going forward. The plan also no longer identifies
20 specific parcels for action, but instead provides a set of criteria for reviewing parcels in terms of
21 determining whether we want to retain those, whether we want to sell those parcels, whether we
22 want to exchange them, or whether we want to purchase certain parcels going forward. The
23 plan had an extensive public review process. We held three public hearings in Bend, Medford
24 and Salem. We had a small number of people attend each of those hearings. We had no
25 formal comments provided at any of those hearing. We did receive two formal letters, which are

1 in your packet, from organizations interested in lands that we hold that have high conservation
2 values and one of the things that you'll notice in this plan is, there is a provision that talks about
3 if we identify lands that have conservation – high conservation values, we will hold them and try
4 to find a conservation buyer or attempt to exchange those parcels with Forest Service, BLM, the
5 Parks Department for other parcels that we might be able to manage for revenue. So, the goal
6 there is, if we identify conservation values through the various due diligence work that we do as
7 we review each of these parcels, we would pull those aside and work to try and find a
8 conservation buyer. One of the things we have talked about is whether or not we can actually
9 do a conservation auction, so that we would pull together a number of those parcels that have
10 conservation potential and look to auction those to specific conservation buyers, be they
11 agencies or possibly some of the NGOs like The Nature Conservancy and the other land trusts.
12 With that I recommend adoption of the Real Estate Asset Management Plan. I'd be happy to
13 answer any questions.

14 **GOVERNOR KITZHABER:** Questions?

15 **TREASURER WHEELER:** Just a few, Louise, if I could. First of all, you added a new key
16 performance measure for newly acquired properties. That's to meet or beat the ten-year
17 average returns for the Common School Fund on a return on asset value basis. Can you just
18 elaborate a little bit more on why you picked that criteria and what you think it's going to do
19 differently. And, could you speak to whether or not that is an appropriate criteria given that the
20 CFS is a diversified portfolio whereas there's higher risk in holding core real estate assets. And,
21 therefore, shouldn't you expect a higher rate of return from holding core real estate?

22 **DIRECTOR SOLLIDAY:** Treasurer Wheeler, we selected that because currently the Land
23 Revolving Funds are sitting in the Common School Fund and are invested as part of the
24 Common School Fund. So, we are earning that rate of return on those monies that the

1 Common School Fund is getting on the entire fund. That fund, most recently in terms of a ten-
2 year annualized rate has been earning just under five percent. The target is in the eight percent
3 neighborhood. We, in the past, have simply used a rate of return on investment of three to five
4 percent as the target and we think that that's not appropriate given that the money is invested in
5 the Common School Fund where we are already getting a higher rate of return for that. With
6 regard to purchasing lands going forward and risks associated with those, we certainly want to
7 meet – I would say that our goal is to always try and beat that return on asset value. As you
8 stated, there always is additional risks that comes with managing properties as opposed to
9 simply having the money invested in the Fund and we certainly would like to see a higher rate of
10 return. We've been looking at some parcels that are for sale that are office buildings that are
11 fully occupied that actually have a rate of return in the eight percent range at this point.

12 **TREASURER WHEELER:** And, thank you, Louise. I guess I'll just put out there as a marker
13 for the next year and maybe I can work with you on this as well. That – core real estate is its
14 own asset class and it has its own benchmarks associated with it and personally, I would expect
15 a higher rate of return than beating the ten-year average of the Common School Fund given the
16 additional risks. So, maybe we can work on that going forward. The second area is one that
17 you and I had a conversation about yesterday and you said you were going to come prepared
18 with more information, which is why are we choosing to invest directly in real estate assets as
19 opposed to going into a diversified REIT, or another product that has lower administrative costs
20 and less risk in terms of being an actual property manager.

21 **DIRECTOR SOLLIDAY:** So, Treasurer Wheeler, we did talk with your staff about investments
22 in REITS for the Land Revolving Fund as opposed to investing in actual properties. It is
23 something that we could do and it would – what I would recommend, if the Board wants to go
24 that direction – the Board would need to provide some – a request to the Oregon Investment
25 Council to begin to look at the potential for investing the Land Revolving Fund monies in a REIT.

1 It's my understanding that there are funds that are managed by the Oregon Investment Council
2 already that have some portion of the portfolios invested in REITS. The Common School Fund
3 – we could do the same thing with the Common School Fund. So, that would be an option.
4 Your staff indicates we would need to get a manager on board to manage those funds for us,
5 whether it's the same manager that's managing other funds that are invested in REITS in the
6 other funds. I don't know what we would need to have management on board to manage those
7 investments. If we make the decision – we haven't made a decision to purchase anything, but if
8 we made the decision to purchase property, we would look to hiring a property manager as part
9 of that. We manage this building, which I think is the only building the land management staff
10 ever wants to manage. They know all the complexities that come with managing a building on a
11 day-to-day basis. We do this building because it saves us money over what we would be
12 paying the Department of Administrative Services to manage it, so for us it's about the cost of
13 managing one of the assets, but we would not want to be looking at our staff – building up core
14 staff – a group of staff who are going to go out and manage buildings on a day-to-day basis.
15 We would want to have a property manager. And, we would have to weigh all of that in terms of
16 what would we be paying for the building, what are the lease rates that we can get from those
17 buildings, whether the costs associated, including the management costs, before we made any
18 decision about moving forward. And, weigh those in relation to Common School Fund
19 investments and the potential to invest in a REIT – some sort of REIT or other similar
20 investment.

21 **TREASURER WHEELER:** And, Governor, could I ask one final question?

22 **GOVERNOR KITZHABER:** Please.

23 **TREASURER WHEELER:** Relating to the relationship with the commercial real estate firm
24 mentioned in the report, is that a consultancy relationship or are they also serving as a broker?

1 **DIRECTOR SOLLIDAY:** Treasurer Wheeler, they are currently serving as a – it started out as a
2 consultant phase – in a consultant phase to help us to think about the criteria we would want to
3 use if we were reviewing properties for sale or for purchase, in particular. They – the contract
4 that we have with them does include a provision that, if we decide to go down this path and
5 pursue purchase of commercial retail or industrial property, that we would ask them to bring us
6 properties and serve as the broker. And, we did go out with a public request for proposals
7 before we brought that firm onboard.

8 **TREASURER WHEELER:** So, could I ask just one clarifying questions?

9 **GOVERNOR KITZHABER:** Please.

10 **TREASURER WHEELER:** I'm sorry to be taking so much time. So, they would identify
11 potential properties for the Department of State Lands to purchase and then they would
12 automatically become the exclusive broker in that transaction, or would that be put out to an
13 RFP?

14 **DIRECTOR SOLLIDAY:** So, Treasurer Wheeler, what they've been showing us so far in terms
15 of some paperwork are facilities that are listed by a variety of real estate agents – brokerage
16 firms. So, not just things that are listed by them, but listed by a variety of folks that are on the
17 market currently. So, it's not – they would not be the exclusive for anything that we would
18 purchase.

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

20 **GOVERNOR KITZHABER:** Do you have concerns with the adoption of this at this point?

21 **TREASURER WHEELER:** I do not have concerns with the adoption based on the comments
22 that Louise mentioned. I would just – I guess if I could put one cautionary note out there on the
23 table. There's a lot of concern generally in the investment community about the dual role

1 between consultants who then become investment managers or brokers who then derive – they
2 derive revenues on the front side from identifying an asset and then they derive revenues on the
3 back side for participating in the transaction. And, there's a national movement to try and either
4 break that connection or alternatively make sure that there's openness and other opportunities
5 on the back side for other firms to participate. As long as that's an opportunity that could be
6 open to other firms, I don't have any objections.

7 **DIRECTOR SOLLIDAY:** I think we're fine with that.

8 **SECRETARY BROWN:** Governor, I would move adoption of the real estate asset management
9 plan.

10 **TREASURER WHEELER:** I second it.

11 **GOVERNOR KITZHABER:** It's moved and seconded that the Land Board adopt the Real
12 Estate Asset Management Plan. Without objection. So ordered. Item four.

13 **DIRECTOR SOLLIDAY:** Next item is the Common School Fund performance audit review that
14 was done by the Audits Division of the Secretary of State's Office. And, first thing I want to say
15 to the Secretary of State – I want to thank your auditors. They were very helpful as we were
16 going through this performance review. Worked very closely with us throughout the process.
17 Were professional at all times and so, just want to say thank you to those folks and there were a
18 team of auditors who were working on this with us and they all did a marvelous job for us. So,
19 the audit was a performance review audit of the Common School Fund and the various
20 components that make up the Common School Fund. And, the results of the audit are that the
21 auditors have made four recommendations – have four findings and four recommendations,
22 which the Department agrees with. The first is, in reviewing financial records going back to the
23 2001-2003 biennium and up to the end of the 09-11 biennium, the auditors discovered that the
24 Department, the Board – the Department had distributed money from the corpus – meaning that

1 they distributed money in excess of the amount of money that was in the Distributable Income
2 Account at the time that the distributions were made. And, this happened in three biennia – in
3 the 01-03 biennium, the 03-05 biennium and the 05-07 biennium. And, the auditors
4 recommended that that money be re-paid to the corpus and we have a recommendation as part
5 of this agenda item before you today to do that. The second recommendation was that we
6 improve our accounting and tracking of the various components of the Common School Fund.
7 And, we have already put in place, with the help of the auditors, a tracking system and we'll
8 continue to keep track of the various components including the unclaimed property portion, the
9 distributable income portion, the statutory balance and the Constitutional balance – both in
10 terms of value and the market value. They also recommended that we provide that information
11 to the Board on a regular basis, so what we will do is set up a quarterly reporting process so
12 that you receive those spreadsheets that we are doing on a quarterly basis so you will know
13 exactly where the fund stands and where the various components stand. And, the last
14 recommendation has to do with something that's occurred as a result of a statutory change that
15 occurred in 2005. Prior to 2005, the net earnings and the interest income – the net gains and
16 the interest income were placed in the distributable income account and that was what was
17 available for distribution. In 2005, the Treasurer at that time, Randall Edwards, put in a
18 legislative proposal because there was a difficulty making distributions in the early part of that
19 decade – put in a legislative bill that was, in fact, adopted by the legislature that no longer had
20 the net gains going in, but had the gross gains and the losses being charged against the corpus.
21 As a result of that, the corpus has diminished over time and, if we continue to do that, it is not
22 sustainable in terms of the corpus. Now, I want everybody to recognize that this last decade in
23 terms of financial investments has been one of the worst in our history. But, even with that, you
24 cannot continue to charge losses against the corpus over a long period of time. The corpus is
25 going to disappear. The losses can only be charged against the principal – the corpus – and
26 not against unclaimed property because the unclaimed property portion of the fund must be kept

1 for the rightful owners to show up. And, so the corpus is absorbing all of the losses even though
2 the money is co-mingled and all invested as one fund. So, there is a problem that's been raised
3 and it's an issue that we'll need to tackle with. On that particular recommendation, what we are
4 proposing to do is for the Department to tee up a series of policy questions for the April board
5 meeting for you to consider in terms of how do we charge debit and credit – gains and losses
6 going forward. And, what distribution policy do we put in place that is sustainable and does
7 provide a level of certainty for school districts. If you look at the history of distributions from
8 schools, you will see these big peaks and these big drops and that's as the market has gone up
9 and down we've had – the distributable income account have significant amount of money and
10 when the market went down, they had a small amount of money. And, school districts were
11 complaining that they were not getting any level – any certainty in terms of being able to budget
12 for those funds during the course of a biennium. So, thus the 2005 legislative fix and the policy
13 adoptions that the Board has done over the last five years or so. The problem is we're trying to
14 squeeze too much money out of too few pots and we need to really have a serious discussion
15 about what makes sense in terms of a distribution policy going forward and what makes sense
16 in terms of how we charge those gains and losses against the fund or the distributable income
17 account. So, what I'm proposing to do is, in order to have that policy – larger policy discussion
18 is to tee that up for the April board meeting, have some discussion at the April board meeting
19 and then bring back a set of recommendations at the June meeting based on the discussion in
20 April. Today, we're recommending that you take the action to pay back the \$75.7 million that
21 was distributed that was not available for distributions in 01-03, 03-05 and 05-07. We currently
22 have, in the distributable income account about \$150 million, as of December 31. So, we have
23 enough money in the distributable income account to repay the corpus as well as to continue to
24 make the distributions for the remainder of this biennium. We are due to make – we have made
25 one distribution this biennium in the amount of approximately \$25 million. We have three more
26 of similar amounts to make for the remainder of the biennium. We are proposing that we repay

1 the corpus in two installments; one in June of this year and the second in July of 2013, which
2 would put that payment into the next biennium just to give us some insurance that we will be
3 able to make the distributions, which districts have budgeted for this biennium. So, the
4 recommendation today is for the Board to approve repayment to the corpus in the amount of
5 \$75.7 million in a two-payment plan. And, with that I'd be happy to answer any questions.

6 **TREASURER WHEELER:** I move adoption of the staff recommendation that the Land Board
7 direct the Department to repay the \$75.7 million as an internal transfer from the distributable
8 income account to the principal in two separate transfers of equal amounts; the first in June of
9 2012, the second in July of 2013.

10 **SECRETARY BROWN:** And, Governor, just to confirm – this does not impact the school
11 distribution amount for this biennium?

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

13 **SECRETARY BROWN:** Okay. I'll second.

14 **GOVERNOR KITZHABER:** It's been moved and seconded to repay the fund as described in
15 Treasurer Wheeler's motion. Is there discussion?

16 **TREASURER WHEELER:** Brief discussion. I just want to thank the Secretary of State Kate
17 Brown and her team. It's an excellent audit, and Louise, I want to applaud you and your team
18 for embracing the findings that were in that audit. I think it's a good step in the right direction.

19 **GOVERNOR KITZHABER:** Further discussion? Without objection. So ordered. I'd like to just
20 return briefly to agenda item number two. There were two individuals – three individuals who
21 wanted to speak to that agenda item and I did not get the sheet in time. Let's start with Kelly
22 Ri???

1 **KELLY RIGGLE:** My name is Kelly Riggle and I didn't know that I was going to speak today, so
2 I apologize if what I say is a little bit disjointed, but I just wanted to address the note that
3 Governor Kitzhaber and Treasurer Ted Wheeler and Secretary Brown received from multiple
4 organizations – I'll list them – the Klamath-Siskiyou Wildlands Center from Ashland, Oregon; the
5 Soda Mountain Wilderness Council from Ashland, Oregon; Cascadia Wildlands from Eugene,
6 Oregon; Friends of the Kalmiopsis from Grants Pass, Oregon; Oregon Wild from Eugene,
7 Oregon; Rogue Riverkeeper from Ashland, Oregon; and the Rogue Group Sierra Club from
8 Ashland, Oregon. I think they address a lot of important points in this letter and I just wanted to
9 talk about some of the language that they use and that I've heard used so far in this discussion.
10 They talk about the fact that the land that will be up for auction under the Real Estate Asset
11 Management Plan – these lands currently provide recreational hunting, habitat and watershed
12 values that are of interest to many Oregonians. But, the DSL in relationship to these lands has
13 a Constitutional and statutory mandate to maximize its financial contributions from trust lands,
14 so that seems to be their priority. These organizations are concerned that the land disposal
15 program will result in irrevocable disposal of lands. I think it's interesting that this entire program
16 is called the land disposal program because I think it's very fitting. These lands have
17 outstanding conservation and recreational values that could serve the long-term interest of the
18 people of Oregon. And, it is imperative that the disposal process not – it says that it is
19 imperative that the disposal process not cost the state so much that there are minimal financial
20 gains for selling off these irreplaceable assets and that is truly what they are. The letter goes on
21 to state that it was never clear to these organizations how and why the DSL decided to double
22 the acreage proposed for disposal. Originally, 2,397 forested acres in southwest Oregon were
23 proposed and the agency chose to identify 4,920 acres of such lands in their December 15,
24 2010 proposal. They ask that the Board note that the lands proposed for sale in southwest
25 Oregon contain extraordinary conservation values. It's important I think that three of these
26 parcels are located directly adjacent to the wild and scenic Rogue River, which are very delicate

1 and fragile ecosystems. I think that human action has already done enough to decimate salmon
2 populations and it's really imperative that everything be done to diminish those types of effects
3 in the future. They also not that many of the forest proposed for disposal are located on
4 serpentine soils. This is a soil type that occurs – this is the only place in the world where this
5 soil type and the ecosystems it supports occur. The Oregon Department of Fish and Wildlife
6 expressed concern regarding the proposed disposition of state land parcels because of the
7 habitats that they support, including deer and elk – winter range habitat, Northern Spotted Owl
8 habitat – it's a unique habitat that doesn't exist elsewhere and it also – many of these pieces of
9 land are valley bottom habitats, which like I said, are very fragile. I just wanted to talk about the
10 fact that it's interesting how Oregonians who value the conservation and recreational values of
11 the state lands proposed for disposal can effectively participate in this planning process. It's a
12 very difficult process for the public to meaningfully engage in – there's protesters outside and
13 there's people who can speak here, but I don't know how effective we can be given the protocol
14 for interacting with the public. Finally, the note asks that there be an open and transparent
15 planning process in which a wide variety of stakeholders could work collaboratively to generate
16 a plan that focuses both on sustainable, long-term revenue production and conservation of
17 Oregon's unique forests and watershed resources. I think it's interesting that so far in this
18 conversation, the word money has been used three times and cost has been used once. I did
19 hear that the word sustainable was used and I think that's important, but I think that it's also
20 imperative that the focus be more aligned with conservation and sustainability and the long-term
21 effects of the decisions we're making now. Thank you.

22 **GOVERNOR KITZHABER:** Thank you. Just for the record, the next agenda item five actually
23 does discuss the – some specific parcels that are up for sale. I know there's a lot of people that
24 have signed up to testify on that and we'll certainly hear from you. There was one other person
25 that wanted to speak on the asset management plan and that's – let's see, who was that? Well,

1 we have Shannon Wilson who wanted to speak on both three and five. So, Shannon, do you
2 want to . .

3 **SHANNON WILSON:** Hi there. My name's Shannon Wilson. I live in Eugene, Oregon. I've
4 been aware of this process since about 2010. Some colleagues and I were educated about it
5 through this process and I guess I'd like to describe where I'm coming from. I grew up in
6 Oregon. My parents moved here when I was about seven years old down in Southwest
7 Oregon. So, these 4,920 acres are basically where I grew up down in Josephine and Jackson
8 Counties. And, I'm very familiar with the areas, especially the Rogue River areas where there is
9 old growth forest and many of the other parcels. You know, that's a special place down there.
10 It's a very – you, know the climate is – can be very harsh down there. Clear-cut logging and
11 herbicide spraying can destroy lands down there for, not just a couple of decades, but for
12 hundreds of years. I've seen and experienced clear-cuts in that area that haven't grown back
13 because of poor soil conditions; the harsh climate, especially in the summer when it can reach a
14 hundred and ten degrees – hundred and twenty degrees pretty regularly. So, that's why I think
15 these lands should not be sold to private interests. These lands should be protected and they
16 are publicly-owned lands. The state just manages these lands. I don't think it's the state's right,
17 without a public process, to liquidate public lands as the state is doing. Especially, in regards to
18 this process, it's – we would never have known about it unless one individual approached us
19 back in 2010. And, this has probably been going on for decades, I'm assuming because the
20 state land base started out at 3.4 million acres and, currently there's less than 800,000 acres left
21 of this Common School Fund land base. And, so where did all the rest of those acres go? I
22 know some of those were turned into state parks, a few small pieces here and there, but I would
23 assume that the majority have gone to timber industry interests and maybe even grazing
24 interests over in Eastern Oregon. And, I think that's unacceptable without a formal public
25 process. And, I don't consider this process very adequate to address that. Anyway, I've been

1 working in Oregon trying to, you know, advocate and protect communities in Oregon for almost
2 thirty years now. Like I say, selling these lands to the timber industry interests, I don't think is
3 the best use of these lands. They will be clear-cut and then they'll be sprayed again and again.
4 And, I don't understand why you folks here should be supporting those kind of management
5 practices, especially these are public lands. They shouldn't be treated like, you know, they're
6 just throw away lands – trash lands that we can just get rid of. I'd like to say that I do have a lot
7 of respect for you, Governor – Mr. Kitzhaber and I remember when – your first terms in office – I
8 thought you were probably one of the best governors – maybe the best governor in my lifetime –
9 for Oregon at that time. And, I thought that even up until you left office. You did create the
10 Oregon Health Plan and you created the salmon plan to help salmon in Oregon and I was kind
11 of proud of that – for us doing that as a state. But, then later after you left office, I learned of a
12 couple things that maybe you were pushed into doing, such as signing the House Bill 3575,
13 which exempted large corporate timberland owners from paying timber harvest taxes. The bill
14 basically exempted any timberland owner who owned 5,000 acres or more from paying timber
15 harvest taxes. And, that timber harvest taxes were going to schools, they were going to the
16 state General Fund and they were supporting local county governments all over Oregon. And,
17 up until 1999, that harvest tax was bringing in about \$35 million a year. And, when it was fully
18 implemented, exempting the timber companies and land holders, that amount basically went to
19 zero as of 2004. And, so since that time, hundreds of millions of dollars of lost tax revenues
20 have been lost that would have went to schools and county governments. And, so I think that
21 the governor and the state should look at this bill and rectify that mistake and re-implement the
22 timber harvest tax to fund schools and the counties. We shouldn't be looking at increasing
23 clear-cutting on the Elliott State Forest or any of the state forests and liquidating public lands to
24 make up for what these wealthiest families should be paying their fair share when they're
25 logging their lands and making huge profits and shipping the logs over to China on these giant
26 boats. Why aren't they paying these harvest taxes for the logs that they're shipping away?

1 They're not creating jobs here. I mean, they're not processing the lumber – they're just shipping
2 over the raw logs and they're not paying any taxes on the harvest of those logs. Why can't we
3 look at that as a funding source and reverse that House Bill 3575? I would ask the Governor
4 and the state to look at that. Well, I probably talked too long already, so thank you for listening
5 to me and I hope you – I don't know – I have a vision of Oregon that, you know, is probably
6 similar to your vision and everybody's vision in this room. I want to grow up or be in a place
7 where our soils aren't poisoned and our water isn't poisoned by pesticides and herbicides. I
8 want to see Oregon as not a place where everywhere I look I see clear-cuts on every hillside. I
9 want to see our rivers clean with salmon in them and I want to have skies that are clean and not
10 full of pollution from the timber industry and other industries that, you know, are just using our
11 state as a resource colony. I hope your vision is the same as mine. Thank you.

12 **GOVERNOR KITZHABER:** Thank you very much. I think most of the other people who wanted
13 to testify want to testify on item five, I'm going to go ahead and have Louise give us a little
14 description of the land sale issue and then we can call individuals who want to speak to that and
15 they'll have a little context for their comments. Louise.

16 **DIRECTOR SOLLIDAY:** So, Governor, agenda item five is a request for approval to auction
17 through an open, competitive bid process, thirteen parcels, which is an adjustment from what
18 was in the agenda item that you have before you today. These parcels are located in Crook,
19 Deschutes, Jackson, Jefferson and Josephine County. There was one parcel in Lincoln County,
20 which we've pulled for the time being. We do not have the appraisal back on that parcel and, so
21 do not want to make a final decision until we see the appraisal or a final recommendation to the
22 Board. And, we have also pulled two parcels in Jackson County and they are the Cottonwood
23 parcel and the Little Red Hill parcel. And, those two parcels were pulled after we got the
24 appraisals back recently and reviewed those and had further conversations with the Department
25 of Forestry about continuing to manage those for harvest revenue. The – both parcels had

1 more timber on them than we initially suspected, but the appraisal indicates that we actually do
2 have enough timber on there to go in and do some thinnings periodically and generate enough
3 revenue to more than cover the costs of managing. One of those parcels also had an access
4 issue that has since been resolved, so we now have the ability to get in there and manage that
5 parcel. So, there are now thirteen parcels before you today. I might mention that on the
6 Jackson and Josephine parcels, while we initially reviewed every scattered parcel in those two
7 counties, we're bringing – which was twenty-four parcels – we are bringing to you today only
8 five of those parcels for recommended sale. The remaining parcels, we did receive quite a bit of
9 public comment on these twenty-four parcels. The remaining parcels were removed from the
10 sale list for a number of reasons. Many of them because they do have very high conservation
11 values and so they will be retained until we can find a conservation buyer. The Bureau of Land
12 Management who has adjoining property to some of ours in that area of the state is interested in
13 looking at an exchange or an outright purchase of some of those parcels that have high
14 conservation values. So, we did pull a number of parcels after reviewing all the parcels. And, I
15 just want to say that we are reviewing every isolated, scattered parcel that we own to determine
16 whether we want to retain it because it can be managed for revenue; whether we want to
17 dispose of it because it does not have values that can be managed for revenue or conservation
18 values; or whether we want to retain it, try to find a conservation buyer. So, we are looking at
19 every isolated parcel. We are moving our way around the state to do those reviews. As we get
20 a set of isolated parcels, we bring them to the Board to initiate the review so that we do the due
21 diligence; we get input from the public; we get input from agencies, so that they can tell us
22 whether there are things that we should be paying attention to on those parcels in terms of
23 whether we should be retaining them or disposing of them. So, we do get feedback on these
24 parcels before we bring a final recommendation to the Board. So, today we're bringing a final
25 recommendation. All of the parcels that are before you today, the Board authorized the
26 Department to initiate the process to review them for potential sale. We've done the due

1 diligence on them. We also have the Department of Agriculture go out and look if there are any
2 threatened and endangered plant species on them, so that we are not disposing of parcels that
3 have those sorts of conservation values on them. And, those are the kind of parcels that we do
4 set aside for a potential conservation buyer. The staff is recommending that we do dispose of
5 these thirteen parcels through an open and competitive bid process. We normally do a portion
6 of these at an oral auction and a portion of them through a sealed bid auction. We have a real
7 estate firm that has been handling these auctions for us who has an extensive list of potential
8 buyers and, so he handles the transactions. When we sell these parcels, the minimum bid price
9 is set at the appraised price plus the costs of the appraisals and the costs of the real estate
10 transaction fees, if we are successful in selling them. And, with that I would be happy to take
11 any questions.

12 **GOVERNOR KITZHABER:** I have a couple of questions – and then – before the testimony.
13 First of all, can you describe a little more fully for the benefit of the people here who raised
14 questions about sort of the process. So, to initiate a disposal of a piece of state property under
15 the auspices of the Land Board, you first come to the Land Board at a public meeting announce
16 the process begins. So, I think that if you just monitor the Land Board agenda, there would be
17 an agenda item that would suggest that there's going to be some parcels – specific parcels –
18 that would be considered to be sold. So, that would be the first point. And, then could you
19 describe then a little bit more, the process that goes on between when we notify – or start the
20 review – and when you come back with a recommendation.

21 **DIRECTOR SOLLIDAY:** So, we have a number of notifications we do to agencies, to local
22 governments, we have a list of folks who have asked to be notified about these sorts of
23 transactions. So, we send out, after the Land Board initiates, information about the parcels that
24 we have under consideration; we get comments in from a variety of places; if folks aren't on that
25 list to get notified and want to be, they simply need to contact the Department and we will get

1 them on the list so that they can participate more fully in the process. And, then the second
2 opportunity is when we come back to the Board with a final recommendation. There is another
3 opportunity for the public to weigh in at that point.

4 **GOVERNOR KITZHABER:** So, the letter that we received here from George Sexton, from the
5 Klamath-Siskiyou Wildlands Center and a number of other conservation groups – should make
6 sure that you actually provide Louise and the Department with the fact that you want to be
7 notified if you aren't, so that you can be in the cue on the frontend in the future. Before we go to
8 the testimony, could you describe particularly the parcels in Josephine and Jackson County,
9 which I think were referenced particularly in this letter?

10 **DIRECTOR SOLLIDAY:** Governor, the parcels that are referenced in the letter are no longer
11 being recommended for sale, so they are – were identified either as – one was a natural
12 heritage site, others were within the viewshed of the Rogue River, others had other
13 conservation values. All of them have been pulled off of the sale list. So, at this point, what
14 remains are some smaller parcels that have some – little value in terms of timber on them and
15 do not have identified conservation values.

16 **GOVERNOR KITZHABER:** Okay, let's go to the public testimony and if there are concerns
17 specifically about the parcels that are being sold, that would be useful for us to have. So, Ariel
18 Howland?

19 **ARIEL HOWLAND:** My name is Ariel Howland. I've been a citizen of Oregon for eleven years.
20 Happy Valentine's Day.

21 **GOVERNOR KITZHABER:** And, to you.

22 **ARIEL HOWLAND:** I stayed in Oregon because I fell in love with the forests here and I don't
23 want the public lands sold. I want my kids to have a future in Oregon and to be able to learn

1 about the forests firsthand by being able to play in them. I think the forests of Oregon make
2 Oregon special and I really don't want you to sell that off. Thank you.

3 **GOVERNOR KITZHABER:** Thank you. Mark Robiniwitz. Did I get that right?

4 **MARK ROBINOWITZ:** My name's Mark Robinowitz. I live in Lane County near Eugene. This
5 is the first time I've testified in front of this Board. A couple of things: I live not too far from a
6 timber parcel in Lorane, Oregon that was logged seven times in a twenty-five year period. And,
7 if you go there, you can barely tell. It had 350,000 board feet in 1976, 418,000 board feet was
8 removed, and when the landowner sold it, there was 1.4 million board feet on the property
9 because he never clear-cut. He took the trees out selectively. It actually borders a BLM old
10 growth parcel and you can barely tell the difference where the boundary is because it was done
11 gently. But, that can't be done if you're primary concern is the short-term rate of return on profit;
12 either shareholders in a limited liability corporation or politicians who don't think long-term, but
13 are just thinking about the next election and campaign contributions. You cannot have a healthy
14 planet if you're only protecting a small part of it just like on a person's body; if you only protect a
15 little bit of the skin, it's not going to be good for the patient from a medical perspective. Our air
16 and water come from the lungs of the earth. Leaving trees standing is not about recreation or
17 endangered species. We are an endangered species, too, even if the Endangered Species Act
18 doesn't recognize that. The distance of the breathable part of the atmosphere is only a few
19 miles thick. It's roughly the width of Salem, Oregon. Everything that we all do is in that narrow,
20 thin film. So, we're talking about privatization of public lands, which some years ago used to be
21 something only Republicans did, but now is bipartisan, which is one reason I gave up on the
22 Democrats. We should be expanding our public parks, not selling off the land. We should be
23 converting the state forests to state park land because our state forests are being liquidated.
24 They look green on the map, but not on the ground. Deforestation around the world has led to
25 desertification. The area we call the Middle East used to have cedar forests before it was

1 turned into a desert two thousand years ago. And, as far as the privatization; selling these to
2 limited liability corporations that are exempt from property tax – if you own five thousand acres
3 and you clear-cut, you don't have to pay a penny. Now, the stump tax was put in there because
4 the timber companies don't pay much in property tax. They were supposed to pay when they
5 cut. And, in 1999, you Governor, with your pen signed that away. A small timber owner who
6 owns a small woodlot has to pay, but Weyerhaeuser doesn't have pay, Roseburg doesn't have
7 to pay, Aaron Jones doesn't have to pay. That's backwards. Now, the Oregon Department of
8 Forestry supposedly manages our state forests. I've tried to get the Oregon Department of
9 Forestry to enforce its own regulations about two leave-trees per acre, even when it's next to a
10 state highway. Good luck enforcing that. That's pretty easy to enforce. The state even allowed
11 timber companies to clear-cut directly over Interstate Five in Southern Oregon on a steep slope,
12 not far away from where that family was killed by a timber company clear-cutting above their
13 house. And, the last point is, it is obscene that we still allow Western Helicopter and
14 Weyerhaeuser and all their friends to spray us with 2, 4-Dichlorophenoxyacetic acid, which the
15 U.S. Air Force sprayed over Vietnam for many years. I live three miles from a clear-cut that was
16 sprayed in September. There was no public warning even though there are children living a few
17 thousand feet from there. I've already had a cancer. I don't particularly appreciate being
18 subject to involuntary medical experimentation by government that does not give a damn about
19 public health. Both of my parents have MDs, my brother is a medical doctor. I do not, but I've
20 read the Nuremberg code on human experimentation. I have a copy here for each of you. It is
21 U.S. federal law and it says that people should not be forced to participate in involuntary
22 medical experimentation. It is a violation of federal law. It was made in 1949 after the Nazis
23 forced people to participate in human experimentation. Spraying cancer-causing, birth defect-
24 causing poison on the forests above where people live and breathe and drink and eat, is a form
25 of involuntary medical experimentation. That should be a felony. And, anyone who is a medical
26 professional who authorizes this, and I say this as respectfully and as calmly as I can, should

1 have their medical license revoked. And, I'm not being hyperbolic. I'm serious. If you continue
2 to spray us, you should have your medical license revoked.

3 **GOVERNOR KITZHABER:** Thank you. Grace Warner.

4 **GRACE WARNER:** Okay, I'm going to go ahead and stand. For the record? Okay. My name
5 is Grace. I'm a little nervous right now. Sorry. I've been here a couple times before. I've lived
6 in Oregon for a long time and I am a member of Cascadia Forest Defenders. We decided to
7 come to this meeting before we knew what the agenda was because it seems that the agenda is
8 often not announced until right before the meeting. We wanted to come because its 2012 and
9 last year, despite all of the cries that came from the public from activists, from biologist, from
10 people living downstream, you decide to up the cut in the Elliott State Forest from 500 acres a
11 year, which was already atrocious, to 850 acres a year. So, that was thing number one. It's
12 Valentine's Day and I guess for Valentine's Day you're privatizing our land. So, we just – we're
13 here to publicly break up with you, I guess is what we're saying. We're over it. We're totally
14 over it. We don't buy it anymore. If anybody wants to know if you guys actually have an
15 environmentalist agenda, the answer is no. We all know that now. It's not a secret. When we
16 talk about the Elliott State Forest and why it's managed poorly, we often say it's managed
17 almost as poorly as private land. So, for you to take land and privatize it without really notifying
18 the public of what they're losing, they're permanently losing the ability to comment and affect
19 what is going to happen to the ecology of that land in the future. And, you're stealing their future
20 from them. And, that's what I'm here to tell you. I really feel like the public hasn't been given a
21 voice in this. And, so I wanted to give the public a voice. Mic check. We want public forests.
22 Not private Christmas tree farms. Save the forests – for our children. Save the water – for our
23 children. There are no schools – on a dead planet. Thank you.

24 **GOVERNOR KITZHABER:** Thank you. So, Kris Andre, you are – have a tough act to follow.

1 **KRIS ANDRE:** Good, because I am a tough act.

2 **GOVERNOR KITZHABER:** Very good.

3 **KRIS ANDRE:** My name is Kris Andre. I am a programmer with KBOO radio, a member of the
4 City Club and also a member of the Pittock-Ledbetter family. We built this state, son. The
5 forests are our natural capital. I do believe our elected representatives have a fiscal respons. . .
6 fiduciary responsibility to manage that capital in a responsible way. You would not take the
7 entire budget of Oregon and blow it. You wouldn't sell off everything to private companies and
8 let them blow the proceeds in a couple of years. Forests are our natural capital. It is extremely
9 irresponsible to take that natural capital and disspoil it – it's gone. Private companies have
10 made vast sums of money. That money's shipped out of state. I will not go through the tax –
11 consequences of this behavior. Others have touched upon it. I don't think we need to be
12 reminded, but if you really are concerned about rural schools and the public good, the idea of
13 selling off public lands – forests – our heritage – to a few private companies paying no taxes, it
14 is inconceivable. If this were a corporation, if this was a board of directors of a company, you'd
15 all be sacked. Shareholders – and don't you forget, we are the shareholders, we are. That's
16 our forest. That's our air, our water. A board of directors that behaved that way would be
17 sacked, and with good reason. It's utterly and completely irresponsible. You could dress it up
18 anyway you want. You could say, this parcel here and that parcel there and, you know, lots of
19 people are getting paid – of course managing a forest takes lots of people, but basically, the
20 bottom line comes – when we come right down to it, is a forest manages itself A forest is a very
21 complex entity. It's a living creature. It has taken millions of years to evolve. It stretches miles
22 beneath the earth and it stretches all the way to the upper reaches of the atmosphere. The
23 forests do, in fact, influence the very topmost layers of the atmosphere. It's a three dimensional,
24 living, breathing entity that took millions of years to evolve. Going in there, clear-cutting it,
25 planting a tree forest, that's managing a forest? That's managing nothing! Thank you.

1 **GOVERNOR KITZHABER:** Thank you. I'm not quite sure – does this – the last name is
2 Denison? Marcia Denison?

3 **MARCIA DENISON:** I don't have a wonderful voice like that, so you don't have to worry. Just
4 try to listen to what I have to say because it's really important. Please and I hope I didn't hear
5 you guys say that you just scrapped the asset management plan? Or, (unintelligible) without
6 public review? (unintelligible) public review. Oh, well I hope you've begun the process and it
7 wasn't finalizing it, okay? Because this is too important just to sell everything off, alright? Okay,
8 my name's Marcia Dennison. I'm the director of Pacific Rainforest Wildlife Guardians in Ranier,
9 Oregon. At your last meeting, the director proposed scrapping the management plan and
10 creating a new one that doesn't say anything. I agree, though most of it was very good and part
11 – disposing of scattered parcels – was a big mistake. Contrary to numerous laws and a vessel
12 for corruption still present in the present revised proposal and I do appreciate you revising the
13 proposal very much. Please follow the wisdom of the rule of law in the Constitutions. It has
14 never been in the best interest of the people of Oregon to convert forestland to other uses or
15 sell thriving forests at bare land value or allow extraction of essential wildlife habitat or
16 extraordinary recreational areas that support local economies. Forty acre forest parcels can be
17 worth a quarter of a million dollars. Land sales give forests away. DSL land sales give forests
18 away for free, even with threatened species. Liquidation mostly benefits the buyer. Some
19 corrupt public officials still stand by parcels under shell company names. I won't name them,
20 but, please begin editing the AMP today by changing the Department's request read, "all sixteen
21 parcels were evaluated against factors listed in criteria of the asset management plan. The
22 principle factors influencing need for consolidation, exchange is – and everything has been
23 scratched out except for the bottom line. Your plan looks like our old bylaws where they got
24 stuff from years gone by all stacked up in a big heap and it needs to get rid of those other things
25 and keep the most modern ideas. And, there's a reason for that. Higher management costs

1 than blocked land. And, scattered parcels have higher management costs than blocked land,
2 but they still have value. If you took them all together and you started a new state forest just like
3 that one you did in Central Oregon. You know, what was that?

4 **GOVERNOR KITZHABER:** Gilchrest.

5 **MARCIA DENISON:** Gilchrest. Gilchrest. Then you'd have a source of school revenue. You'd
6 have jobs for rural people. You can't just throw everything away. You just can't throw
7 everything away and then complain because you don't have any money. Okay? Okay. And,
8 BLM is interested in this and I'm very proud of the progress that has been made. State forests
9 contribute most to jobs, counties and schools. Acquire and consolidate public land to block
10 state forests. Recommend this – the people of Oregon to whom these public lands were
11 granted – recommend that the Oregon State Land Board authorize the Department to offer
12 these for exchange for blocked forest land not far from ODF offices. They don't all have to be in
13 one spot. They can be merged with other existing state forests. Okay? All of them border BLM
14 land, just about. Void of water and wildlife constraints, sixteen parcels in Crook, Deschutes,
15 Jackson, Jefferson, Josephine and Lincoln Counties, as described in this report through
16 exchange with Department of Interior. The AMP is six years old, a year overdue for public
17 review and overhaul. The section for disposal was shortsighted, neglecting to cooperate with
18 other agencies or follow applicable land use forests, wildlife law and policies as legal mandates.
19 Changing rules won't help. Law supersedes rules and the Constitutional requirements
20 supersede both. Don't sell a land valuable for deer and elk, wildlife range and migration in
21 Central Oregon. What's to keep a developer like Eagle Ridge or Safari Club from buying them.
22 ODFW is against that. Trade it with the Department of Interior for blocked industrial forests to
23 sustain rural jobs and continue school revenue. I'm almost done. If I can get this page turned.
24 Okay. School funding – instead of a one-time deal with no future revenue in sight, tear off your
25 shackles and demand change now. We're all Democrats. You're the bosses. DSL are your

1 employees. Vote no on sales. Start the exchange process with BLM and revise the asset
2 management plan. Don't just throw it away. Thank you.

3 **GOVERNOR KITZHABER:** Thank you. Michael Gannon. One more.

4 **MICHAEL GANNON:** Good morning. I'm Michael Gannon. I'm not sure where to begin or
5 even how to finish, but I'm extremely concerned about the State of Oregon and its management
6 of our resources. I got my Boy Scout forestry merit badge working with one of George
7 Flannigan's foresters in the Rogue River area and since then he donated for the chapel at Lewis
8 and Clark College. And, I think that the chapel in a sense is his legacy to Oregon besides his
9 forest management in a completely different era where it was possible for this timber baron to
10 have this forester spend days in the outdoors with young adolescence.

11 **SECRETARY BROWN:** Governor, sorry, I'm still having a hard time hearing him.

12 **MICHAEL GANNON:** Closer?

13 **GOVERNOR KITZHABER:** Very good. Thank you.

14 **SECRETARY BROWN:** Thank you. Pretend it's an ice cream cone.

15 **MICHAEL GANNON:** I see. I thought it was way too close already, but now I can see the
16 difference. So, I hope you caught some of that. I was trying to put that together coherently.
17 Today, I'm a volunteer – a kind of a senior citizen volunteer – with adolescence in a green class
18 in a Eugene middle school. And, I'm seeing the enormous chaos in their lives and their inability
19 to leave the distractions of our technological world behind and focus on some of the simple –
20 simplest things that are part of their future. In my case, I'm trying to show them that we can
21 grow libocedrus decurrens, incense cedar, that's native to the Cascades and we can put it in
22 safe places where it will live for the next five hundred and fifty years and take carbon out of the
23 atmosphere. I submitted a folder about this project. It's called Greening 99. So, I'm looking at

1 these fifth, sixth and – or, sixth, seventh and eighth graders who have no clue about carbon
2 sequestering. They are in all kinds of different stages of understanding of what's going on.
3 And, I'm looking at you today – I'm looking at the historic governor to have – the first one to be
4 elected to a third term after leaving office to other leading citizens who are being looked for
5 possible candidacy for governor afterwards. And, I'm realizing that time is moving really swiftly.
6 And, I'm not sure these fifth, sixth, seventh, eighth graders are going to grasp the opportunity to
7 deal with global warming any faster than the state government is. James Hansen, one of the
8 leading scientist with NASA, visited Eugene about a year ago – sixteen months ago and talked
9 to a lot of young people and other college students – older college students and talked about
10 the tremendous emergency that we're facing with global warming. And, last spring, he issued
11 his estimation that we have two years in which to make a significant turnaround in the way
12 humans treat the environment. And, I'm thinking that Oregon has done some pretty remarkable
13 things in its history. And sometimes they're really simple and they're really easy to do. I think
14 that everybody wants the three of you to do some of those simple, easy things that make really
15 good sense, even if they don't really make good sense to everybody at the moment. And, I'm
16 thinking of Oswald West declaring that the tidal area between high and low tide was a state
17 highway. What a remarkable decision. It's probably poorly understood by most Oregonians at
18 the time and he managed such an extraordinary feat accompli. He saved the beaches for the
19 whole population of Oregon from then on. And, it's been up to us to protect those beaches. I'm
20 not – I didn't have time to check my facts, but my understanding is that Oswald West also
21 traded land across Oregon and established the Tillamook and the Elliott Forests. So, that made
22 a lot of sense in those days to consolidate these vast holdings of the state, which were hard to
23 reach and hard to understand how to work with – put them together. But, I think the opposite is
24 true today. We have extraordinary means of communication. We're talking about
25 decentralizing nearly everything we have and spreading it out. Letting people work from
26 monitors and keyboards in their – in their, well, the best example today would be in their

1 strongholds high up in the canopy of a forest. So, when I see these kids in the middle school
2 and I try to talk to them about why we're going around to different neighborhoods in Eugene and
3 we're sweeping up incense cedar seeds and that we're going to plant them and we're going get
4 these trees that live for seventeen generations and by doing so, we may be able to allow them,
5 individually, to offset their carbon footprint, if they manage their lives carefully into the future.
6 And, I see how extraordinarily difficult that is to deal with – to do with them and I discovered
7 another really perplexing challenge that I know you deal with all the time and that is, the ability
8 of our educational system to prepare these youngsters to deal with this enormous challenge that
9 is coming – crashing down on us, as James Hansen says. How many short months do we have
10 to change the direction? Well, essentially what's happening with the state forests is we are
11 chopping them up to provide limited tax dollars to try to get a dysfunctional school system to
12 prepare our youngsters to deal with this enormous chaos that is already inhibiting them to the
13 extent that they aren't learning and they can't cope. So, really what is demanded of you here,
14 and it's odd that it should be in this situation before the State Land Board talking about our state
15 forests, but here is the opportunity to reverse that process. We need every parcel that the state
16 owns. And, I think it's important to look at how, you know, how extraordinary they can be.
17 There's a beautiful state park on the McKenzie River, just outside the town of McKenzie River
18 that's been undeveloped since it was – became a state park in, I think 1943. And, it was
19 probably cutover timber, but in the lack of development it's grown some pretty good size trees.
20 And, it just sits there and it's a wonderful spot to be. A wonderful place to look at the McKenzie
21 River and it was due to probably one family investor who bought a lot on the scenic McKenzie
22 River and decided to instead give it to the people of Oregon. So, I would urge you to put a hold
23 on any sales of state lands. I would urge you to reduce and stop the cutting of state forests and
24 contemplate the value that you've protected and the opportunity to put these young people into
25 those forests with your investment dollars from other sources and encourage them to have a
26 much more profound understanding of the diversity of the forest and why it is so important to

1 their existence. How it has helped us to get to this point in the history of humans on the planet
2 and help them see that, in the care of the forest and the understanding of the microorganisms
3 there – an example for me was that I didn't know what a red tree vole was, even though I got my
4 forestry merit badge when I was about fourteen – I didn't ever go up in the canopy and look at
5 them and I had – and I'm not sure that the really kind forester who helped me get my merit
6 badge understood the value of the red tree vole. That was like in mid-1950. So, we're moving
7 quickly to liquidate these assets that are so important to our lives and we're really struggling to
8 manage the dollars that come from them when the value perhaps is so much more important in
9 them being left alone and we could start sending our school children out to live in the Elliott and
10 out to live in all these little parcels in Southern Oregon and out to live in the Tillamook forest. It
11 would be cheaper than building more schools. It would be important to their future. And, I
12 believe that the direction – to change the direction now in 2012, on the hundred and – is the
13 hundred and fifth – no, it's the hundred and fifty-fifth – fifty-third anniversary of our birth as a
14 state government. But, the direction is fairly simple. The path is complex, but we need to
15 change the direction. And, one of the things that we're not measuring, which we will – which is
16 perhaps it's possible for you to see if we change the direction – is the – let me call it the
17 emotional maturity of us as a state. One of the other concepts that I didn't grow up with was
18 understanding people – emotional health and maturity as an organism. And, that's one of the
19 unmeasurable challenges for our youth. We cannot cope and measure. We haven't figured it
20 out yet. We're trying in many different ways. The degree to which they are suffering
21 emotionally because of the trauma that they see unrolling before them – the pesticides in their
22 neighbors' yards, that maybe the pesticides in their mothers' breasts. Those things are not
23 talked about very much in school, but youngsters are subject to social media just like adults and
24 they're learning fast and they're seeing that everywhere and I think it cannot be discounted.
25 Absolutely cannot be discounted. I really would urge you to look at doing something simple that
26 sets us up to have another hundred and fifty years of a great state. Thanks.

1 **GOVERNOR KITZHABER:** Thank you very much. I think we have one more.

2 **UNIDENTIFIED SPEAKER:** Governor, the least you can do is pay attention when people
3 speak. The people of Oregon come to you with a message and you sit there and you touch
4 your papers and you look around and file things. I think you're already breaking the land, the
5 least you could do is look them in the eye and tell them what you're doing.

6 **GOVERNOR KITZHABER:** Actually, I'm looking you in the eye and I'm taking notes on what
7 people say. Surprise. We have one more person. Sam Schwartz didn't indicate whether he
8 wanted to speak, but we have. . .

9 **SAM SCHWARZ:** You probably don't see a lot – oh, sure – Samuel Joseph Schwartz is my
10 name. I come from Coos Bay and you probably don't get a whole lot of people from Coos Bay
11 up here in Salem. You know, I've got a lot of questions. I don't know if this is a – can't really
12 ask you too many questions maybe in this kind of a situation – I'd actually like to have some
13 face-to-face time. It would be interesting. Well, let's see, I grew up on the West Fork of the
14 Millicoma Allegheny outside of Coos Bay. Born and raised on the river, so I have firsthand
15 experience of what the forests have been through my entire life. Growing up in a dysfunctional
16 public school system, shutting down all the outlying schools my entire life, didn't really make for
17 a very good education. What I did learn, I didn't learn in District Nine. I had to read through the
18 fine print and see the trouble in our drug-infested community. You know, watching the salmon
19 being depleted, seeing people that are – you know, cancer everywhere. There's been spray –
20 we fought spray all of our lives. I guess as far as – is there any other state that relies on the
21 logging of our natural resources for its school funds? Yeah? Several? Okay. You know, and
22 why are we selling state lands to private interests – have they been logged already? Or, is it
23 because there's wildlife protection things that are – the regulations are too high where we can't
24 profit? It's too expensive for the state to go in and do, so we maybe are going to sell it to

1 somebody that can just kind of do as they wish and then maybe those trees are going to be sold
2 to China? I mean, I don't know if you've all heard, but they're strengthening their military and
3 tightening their media. They don't want our western influence anymore. So, to me this is a
4 threat to national security, not only our educational system. I'm a – I'm an axeman, I'm a hard
5 worker. All I've done is learned everything that I can. I'm trilingual. You know, and I care a lot
6 about the Coos Bay area. We see just non-stop, the removal of our natural resources. We
7 have a brand new chromite mine going on which has had plenty of tax breaks, as well. They
8 even extended their tax breaks and you know, LNG back and forth and so, isn't time to do
9 something else? It is 2012 and aren't we supposed to have flying cars or something by now
10 and maybe a higher educated people. Where are we? Are we still in the caveman age where
11 we're just raping, pillaging and plundering or isn't time to move on and educate our people, live
12 a better, higher degree of life free of poverty and abuse and it's just really disgusting to see
13 what's going on on the planet right now. We face a lot of chaos and disorder. It would be really
14 nice to see some leaders that take charge and protect the people and speak for the people and
15 not for private interests. You know, I could probably just go on and on. It breaks my heart to
16 see things that are going on, the way that they're going on and sales and switches in timber
17 going on behind closed doors and people making money. And, how much money from those
18 trees is really being put into the school fund? I'd like to see hard facts and data that and you
19 know, we've asks for that stuff and we haven't been supplied with it from the ODF and they can't
20 even disclose who the people are that they're selling the timber to. So, this kind of stuff needs
21 to be more transparent. People need to be more aware of it and you shouldn't have to put your
22 name on a certain list to be notified. It should be well publicized and public and transparent.
23 This is just crazy. Well, I'll just leave it at that. With all due respect, I know that everybody has
24 checkbooks to balance and – but, taking our trees to balance those checkbooks is not the right
25 way to do it. You know, I could think of actually a couple hundred thousand better ways to
26 balance the checkbooks. I think these are really bad ideas. They're old ideas. We have a new

1 nation. We've got a good president in office that is reinvesting money into whatever they say –
2 green technologies. I've been working in the solar industry for longer than green-washing has
3 been around. So, I'm familiar with sustainable energies and the resources that we have at hand
4 and I know that we can do a better job. So, thanks for your time.

5 **GOVERNOR KITZHABER:** Thank you. (unintelligible from audience). I'm sorry?

6 **UNIDENTIFIED SPEAKER:** My name was on the list but (unintelligible)

7 **GOVERNOR KITZHABER:** And, you are? Oh, I'm sorry I thought we had you up here. You
8 want to speak a second time? Okay, then we're going to close off the hearing. Please.

9 **JOANN ERNST:** Joann Ernst. I'd like you to recognize all the young people that are here
10 today. When they talk about young people not being interested in what's going on in the – in
11 their local area, that's simply not true. Like myself and many others, we all want healthy, not
12 clear-cut, not sprayed, not destroyed forests. We do not believe any longer that that is your
13 mission or your vision. Our government has suddenly become old and outdated. Other people
14 have been up here today giving you facts about the forest and what could be done instead of
15 selling these forests off. One of those ideas, is the idea that if, private landowners paid their fair
16 share, then you would never have to cut anymore on public lands, ever. So, I want you to
17 acknowledge that these young people are here today for the forest. You sit up there and you
18 have the ability today to stop cutting – completely stop cutting today. You could put everything
19 on hold, including selling off these – or trading off these public lands that you're talking about
20 today. You have the ability to do that. You could put it on hold, come back with different ideas
21 and bring it up at another time. I hope that you think about that before you take your vote today.
22 I get nervous when I'm up here, but there are other things that I want to say. But, I hope that
23 you have listened to what others have said today. And, before you take your vote, you stop and
24 think about what you're doing because you can stop selling off public lands and cutting them.

1 And, I guess what came to – what I forgot to say – what came to mind is when you sit up there
2 and you talk about disposing of public lands, that it's all sterile, it's just something that's out
3 there. I realize that maybe you need to get out of those chairs that you're sitting in and get out
4 to the forestlands and look at them. Look at these forests and the beauty of them and the
5 animals that live there and the clean water and the beautiful trees and don't talk about them as
6 just disposal. They're not. They're living things. It's our land. It's our public lands and you can
7 stop the insanity today and stop cutting today.

8 **GOVERNOR KITZHABER:** Thank you. So, before we see if there's any questions from the
9 other members of the Land Board – I appreciate you coming. Clearly, I want to encourage
10 active involvement in our process by all Oregonians, particularly members of the younger
11 generation. I also believe that nothing short of not selling any state land will satisfy you and you
12 will go on continuing to believe what you want to believe. The fact is that we had a lot of
13 discussion here about very important issues: timber harvest management, clear-cutting, use of
14 pesticides – a whole host of very important issues and I guess, peripherally – Excuse me, we've
15 given you great courtesy and I would expect that you would give us the same. This is a hearing
16 and hopefully, you can hear us as well as we have tried to hear you. There's a philosophical
17 question here, as well that surfaced this morning about, if and under what circumstances we
18 should sell public land. Almost nobody has actually sat down and testified specifically on the
19 issue before us, which are these specific parcels. Out of the context of, if you simply don't
20 believe we should ever sell public land, that's – we heard that. I don't agree with that. I think
21 there has to be a balance. What I do believe that I heard, and wholeheartedly support, is that
22 without consolidating forest land management, whether that management is for conservation
23 values, creating wildlife corridors, maximizing ecosystem services and carbon sequestration or
24 timber harvest. You can't do that with little bits. That's why we have bought, just this last
25 session using state resources, another big chunk of the Gilchrest to try and create a working

1 forest in Central Oregon as opposed to letting those lands be subdivided and taken out of
2 production and losing the conservation values, as well. The O and C lands is another great
3 example of lands that are checkerboarded. You can't get consolidated conservation values out
4 of those lands any more than you can timber harvest. So, I completely agree with those issues.
5 I don't think that's what we're talking about here, today. We're talking about a few small parcels
6 of public land that we don't believe we can manage to either deal with the fiduciary responsibility
7 we have under the Oregon Constitution, I'd remind you, or, put into a larger consolidated body
8 of land that could be managed in a more responsible and coherent fashion. As Louise said,
9 we've taken out all those areas where there are specific conservation values and are seeking a
10 conservation buyer to do exactly what you believe and have suggested. I don't believe that
11 these parcels fall into that category. So, I don't know where the other Land Board members are,
12 but I hear you. It's been a good conversation. We need to continue it. I think the agenda item
13 is a premise to have those larger context, but I don't think that's actually what we're talking
14 about here today. Ted? Kate?

15 **TREASURER WHEELER:** Just a couple of questions. First of all and the Governor touched on
16 this – what authority directs us to derive financial returns from state lands? Could you talk about
17 that briefly because I do believe there is not clarity on that, generally?

18 **DIRECTOR SOLLIDAY:** So, Treasurer Wheeler, the Board is a constitutionally created board
19 and its mandate is to generate revenue for Oregon's 197 public school districts. It needs to do
20 that consistent with sound management of our land base, and under stewardship principles, but
21 the priority for the trust lands, which were given to the state at statehood specifically to generate
22 funds for education, is to maximize the revenues off of those lands. And, part of the process of
23 doing that is reviewing the land holdings that we have to try to ensure that we are maximizing
24 revenues at the same time that we recognize that we have this stewardship responsibility.

1 **TREASURER WHEELER:** Thank you. Governor, could I ask just a couple of quick follow-ups?

2 **GOVERNOR KITZHABER:** Please.

3 **TREASURER WHEELER:** Second of all, transparency came up a number of times. There
4 were people who testified that they didn't believe that they had sufficient time, either to make
5 arrangements to attend the meeting or understand clearly what was on the agenda. How far out
6 does the agenda get set? Are there things that we could do to either establish the agenda more
7 quickly or use other tools to get that information more broadly disseminated?

8 **DIRECTOR SOLLIDAY:** So, Treasurer Wheeler, we normally post the agenda about a week
9 before the meeting when it's finalized. We can try and get the agenda itself up and agenda
10 items up sooner. There's a timing issue here in terms of getting materials prepared and getting
11 things posted. The Land Board meetings are set a year in advance. In fact, they're set many
12 years in advance because we use the same meeting dates each year in terms of when we
13 meet. We use our website to post the agendas and all of the agenda items. We also have a
14 mailing list and an emailing list that people have told us that they want to get notified. So, we
15 actually mail out an agenda, still – hard copy to folks who want to get that in the mail as well as
16 emailing it to folks who have requested it.

17 **TREASURER WHEELER:** Thank you. And, just for the record could you say what your
18 website is, in case people have an interest in that?

19 **DIRECTOR SOLLIDAY:** Yeah, oregonstatelands.us.

20 **TREASURER WHEELER:** Thank you. And, one final question, Governor if I could.

21 **GOVERNOR KITZHABER:** Yes, Ted.

1 **TREASURER WHEELER:** There was discussion about conservation and, I guess my question
2 – I'm trying to boil it down into its simplest terms – do we do outreach or is there an opportunity
3 for conservation organizations to bid on these properties?

4 **DIRECTOR SOLLIDAY:** Treasurer Wheeler, there is an op – it's an open, competitive bidding
5 process, so conservation organizations can bid on the parcels.

6 **TREASURER WHEELER:** Do they do that?

7 **DIRECTOR SOLLIDAY:** We have not had that happen to date. A lot of the parcels – some of
8 the parcels that we're putting out don't have high conservation values, so they're really not
9 interested in them. And, that's why I said at some point we may want to hold a – an auction or a
10 sale of some sort that is focused on these parcels that do have high conservation values. In
11 which case, we would do outreach specifically to The Nature Conservancy, land trusts, others.
12 We do work with agencies who manage lands – State Parks – we've done some exchanges
13 with them. Over our history, we've done large exchanges with the Forest Service and the BLM,
14 as well. So, we have in the past done a lot of work in terms of trying to exchange out those
15 parcels or to identify conservation buyers.

16 **TREASURER WHEELER:** And finally, I just want to say thanks for pulling the heritage sites as
17 well as the endangered species sites. I appreciate that.

18 **GOVERNOR KITZHABER:** Kate? So, I just want to say before we take a motion that, you
19 know I've looked at these very closely. I presume everyone out here has, as well. I don't
20 believe these parcels reflect much conservation value, nor are they parcels that could easily be
21 put into a larger consolidated land mass to do the kind of holistic land management that you
22 seek and that I think I agree with. At the same time, as you know we're seeking to build –
23 create additional parks down on the south coast and we're going to continue our efforts to
24 purchase more state land in a way that gives us the ability to block up larger parcels of land so

1 that we can maximize both ecosystem values, conservation values, and keep these forests –
2 some of these forests working rather than simply going to real estate development.

3 **SECRETARY BROWN:** Governor , this is slightly off topic, but I just had the opportunity to
4 review your discussion in front of the State Forestry Board a few months ago and I just thought
5 it was very useful and I thought it was a really wonderful big picture and I just wanted to share
6 that with the other folks that are here today because I think it gives a pretty good idea of where
7 you would like to go in terms of Oregon and your vision for Oregon and I just thought it was very
8 useful. So, I just wanted to share that.

9 **GOVERNOR KITZHABER:** Thank you.

10 **TREASURER WHEELER:** Governor, I'd like to move adoption of the Department
11 recommendation that the Land Board authorize the Department to sell thirteen parcels through
12 an open, competitive process in the counties described previously.

13 **SECRETARY BROWN:** Second that motion.

14 **GOVERNOR KITZHABER:** It's moved and seconded to adopt agenda item five. Is there
15 discussion? Objection? So ordered.

16 **UNIDENTIFIED SPEAKER:** Hey y'all, it's Oregon's birthday today.

17 **GOVERNOR KITZHABER:** Happy Birthday!

18 **UNIDENTIFIED SPEAKER:** (unintelligible) thanks for the gift. We're going to sing Oregon a

19 **DIRECTOR SOLLIDAY:** So, I have two. . .

20 (Singing)

21 **GOVERNOR KITZHABER:** Can we just cut it off?

- 1 **DIRECTOR SOLLIDAY:** We can.
- 2 **GOVERNOR KITZHABER:** Okay, we stand adjourned.