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STATE LAND BOARD MEETING

December 9, 2003

State Land Building

775 Summer St. NE, Suite 100

Salem, OR

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66 exemption in the rule will actually reduce the available alder market for the
67 purchaser of state timber sales and thus reduce the overall competition for
68 hardwood timber from state forestlands. I would also add that the current
69 exemption in the rule is not having a negative impact on the value received
70 for alder and in fact, likely having a positive impact, particularly on the north
71 coast where the state forestlands exists. This positive effect is due to the
72 acquisition by – on – on, or for the Garibaldi mill, whose close proximity to
73 the state forest result in lower hauling cost, which is an important bid factor.

74 Now I want to talk about the long-term situation. It is difficult to
75 assess the long-term situation, as to require some speculation. The long-
76 term picture is likely to be influenced by the current and pending litigation,
77 the outcome of which is unclear at this time. So, in including the long-term
78 action, with the uncertainty, that really what we need to do is to continue
79 the monitoring and the analysis that assures the state does derive the best
80 value for its products. And in fact, that leads us to three actions that I
81 recommend and that it is to offer smaller sales of alder to the market in
82 which exporters, under the current exemption, would not be eligible for. By
83 doing this, we'd have data and we could monitor just what are the other
84 alder mills doing and have a better understanding of that dynamics. Also,
85 accept the petitioner and Weyerhaeuser's offer to look at their purchase
86 order for alder that they are receiving from our purchaser's state timber
87 sales. Again, this will provide additional information in which to assess pond

88 values, the starting point for timber sale appraisal process. And then also
89 develop and apply criterias through – to, to get us to a point where we start
90 listing alder, although they may be a minor species and our conifer sales as
91 a separate bid species. Again, this will help us monitor and assess what’s
92 happening in the alder market and assure us that we are getting competitive
93 prices for our products.

94 **SECRETARY BRADBURY:** Mr. Chair can I please?

95 **GOVERNOR KULONGOSKI:** Please, please.

96 **SECRETARY BRADBURY:** Can I – can you go over your first proposal
97 one more time, the first issue you were going to do. I just didn’t – I didn’t
98 follow you. I apologize.

99 **ROY WOO:** Sure, we’re going to offer smaller alder sales, so by doing
100 that we’ll provide an opportunity to monitor and to understand what --
101 what’s going on in the alder market dynamics as it relates to these smaller
102 alder mills.

103 **SECRETARY BRADBURY:** So, you – Mr. Chair. So, you will offer
104 sales that are smaller total volume sales that basically are mostly alder?
105 Will that be a way to describe it?

106 **ROY WOO:** Yes. How I would describe it, they would be areas – now
107 first of all we -- the alder, in compared to conifer sales, alders are more
108 challenging to find because of where they are in the landscape. They’re
109 primarily in the riparians and steep draws. So, they’re not as available, very

110 limited in terms of availability in offering. Predominately, that's why you
111 find these conifer sales having the small percentage of alder in them, but in
112 dealing with my operational folks, they have gotten back to me, said that we
113 can offer up some sales that are predominately alder, but probably smaller
114 in scale.

115 **TREASURER EDWARDS:** Mr. Chair.

116 **GOVERNOR KULONGOSKI:** Go ahead.

117 **TREASURER EDWARDS:** The last time we met we discussed this –
118 the Board of Forestry hadn't also either made a decision, based on your
119 recommendation. And of course part of our discussion was the tracks of
120 land that we have are considerably smaller than what the Board of Forestry
121 has. Are you also taking a similar approach with your – your lands and the -
122 - with the Board of Forestry?

123 **ROY WOO:** Absolutely, yes sir.

124 **TREASURER EDWARDS:** So therefore, in sense of doing these three,
125 sort of pilots, if you will, to try to get more data so it's not just our data
126 points. Is that what you're doing?

127 **ROY WOO:** Correct.

128 **TREASURER EDWARDS:** Good. Thank you.

129 **GOVERNOR KULONGOSKI:** Go ahead Roy.

130 **ROY WOO:** Okay. I was going to conclude by saying that we'll then
131 report back to the – to the Land Board in our 2004 annual report in the

132 progress we're making on those measures. I would lastly then conclude that
133 a lot of the information that we got in the hearings were in the short term –
134 when we looked at the records again -- that actually we're, we're
135 competitive, we're getting the good prices. It's the long term we need to
136 look at these measures, spend the time on and as a matter of our, if you
137 will, our continuing business, we're always looking after, are we fetching the
138 most competitive prices for our values – I mean for our products? I'm sorry.

139 **GOVERNOR KULONGOSKI:** Thank you. Is that it Ann?

140 **DIRECTOR HANUS:** That's it.

141 **GOVERNOR KULONGOSKI:** There's no one signed up.

142 **DIRECTOR HANUS:** I understand that there's no one signed up to
143 testify and on this item, because we've already closed the public comment
144 period, we would not be taking public testimony.

145 **GOVERNOR KULONGOSKI:** Okay.

146 **TREASURER EDWARDS:** Mr. Chair, I'd move that we adopt the staff
147 recommendation, which is not to amend OR – OAR 141-0160-0010, as
148 proposed and that we authorize DSL to work with ODF on the
149 implementation of the Department – Deputy's State Forester's
150 recommendation that was presented today.

151 **GOVERNOR KULONGOSKI:** You've heard the motion. Any further
152 discussion?

153 **SECRETARY BRADBURY:** I have a comment, Mr. Chair. I will be
154 voting against the motion and I have to say that this is a very difficult issue
155 and it's a very close call. And I think as I've listened to the testimony, I've
156 basically realized that there's really not any compelling case, either way.
157 And without a compelling case either way, I don't believe that any
158 exemption from our policies should exist. I think that the burden of proof is
159 on those who wish to maintain the exemption. I really support what the
160 State Forester is doing. I think that's excellent. I think that will give us a
161 lot more information. But I think as you both know, that in the Legislature I
162 was a very strong advocate for the log export ban and I -- when I first came
163 on the Land Board, I supported this exemption because I thought there
164 really was compelling information about getting a fair market value for alder.
165 I think the alder market is changing dramatically as we, as the whole issue
166 proceeds. And I -- I really believe that the information is no longer clear that
167 this is the only way to get at fair market value for alder. So, I don't support
168 an exemption from our policy. So.

169 **GOVERNOR KULONGOSKI:** Roy, if I could, just on a motion, the
170 Division of State Lands has made a recommendation on two points, as
171 Treasurer Randall said. You said that there were three things that you were
172 proposing and I don't know if that third one is incorporated in the second.

173 **DIRECTOR HANUS:** The second bullet was intended to be a catch-all
174 for all of the recommendations that the Department of Forestry has offered.

175 **GOVERNOR KULONGOSKI:** That’s what I wanted to make sure of.
176 You know, we make a living saying, “I have three points.”

177 **TREASURER EDWARDS:** It’s just the nature of the business.

178 **GOVERNOR KULONGOSKI:** Is there any further discussion?

179 **TREASURER EDWARDS:** Again, I just appreciate the Secretary’s
180 position. I think, you know, again, we’re going to get some information
181 back and I think you’ve offered up a good first step into digging more into
182 this. I think we as a Land Board need to keep monitoring. Obviously, our –
183 the whole pricing of this product and making sure we’re getting the best
184 value, so I appreciate what you’ve proposed to us.

185 **ROY WOO:** Thank you.

186 **GOVERNOR KULONGOSKI:** I want to compliment you and the State
187 Forester and the Department of Forestry for the way you’ve handled this
188 through the hearing process because it is both difficult, as Bill said, and also
189 it’s very charged politically and we understand that. I just take a little
190 different look at it because the rule – the Board actually was involved in this
191 issue and actually allowed the exemption and I’ve always taken the view
192 that if you want to change what is, the burden is upon those who come and
193 want to take it out, not for those who currently are supporting the
194 exemption. So, I just have a different view of it so I’m going to vote in favor
195 of the motion myself. Hearing -- is there any further discussion? Should I
196 take a roll call so that there’s a vote on it?

197 **TREASURER EDWARDS:** Sure, yeah.

198 **GOVERNOR KULONGOSKI:** Take a roll call, would you?

199 **TREASURER EDWARDS:** Or just ask for the ayes and nays.

200 **GAIL LOWRY:** Governor Kulongoski.

201 **GOVERNOR KULONGOSKI:** I'm going – yes, aye.

202 **GAIL LOWRY:** State Treasurer, Brad – State Treasurer, Randall
203 Edwards.

204 **TREASURER EDWARDS:** Aye.

205 **GAIL LOWRY:** Secretary of State Bradbury.

206 **SECRETARY BRADBURY:** No.

207 **GOVERNOR KULONGOSKI:** The motion carries two to one. Thank
208 you.

209 **ITEM 2**

210 **DIRECTOR HANUS:** The next item on your agenda is a request for
211 authorization to conduct a cost benefit analysis of the common school
212 forestland within the Elliott State Forest. This stems from a budget note that
213 both the Department of Forestry and State Lands received during our
214 proceedings on the budget during the legislative session asking us to
215 complete a cost benefit study. So, we believe though that this information
216 will be useful as we put together and revise our Asset Management Plan. In
217 the context of that we'll be looking at both market and non-market factors in
218 doing this cost benefit analysis. We're hoping that the analysis can be done

219 by summer of 2004 so then it can be useful for looking at the Elliott State
220 Forest Management Plan Development as well as our Asset Management
221 Plan. So with that I'd ask for the Land Board to approve the
222 recommendation to complete this cost benefit study as we put forward in our
223 recommendation.

224 **TREASURER EDWARDS:** Governor, can ask a question?

225 **GOVERNOR KULONGOSKI:** Yes, please. Go right ahead.

226 **TREASURER EDWARDS:** Thank you. Ann, I just want to also -- we
227 had a brief conversation about this and I don't know if this falls within the
228 recommendation but one of the things I raised was, again, sort of the push --
229 the Common School Fund, when we look at managing that, we have a
230 basket of assets; with stocks, bonds. We have real estate. We have
231 different parts of that. And I know this is sort of looking at one part of it,
232 but I think the way that we've typically looked at managing this is the long
233 term and making sure that we have a diversified approach to returns. And
234 will that be part of the discussion in any way? Because if you just sort of put
235 this against another, like stock or bond, it may or may not make -- you know
236 isolation makes some sense, versus a total portfolio budget.

237 **DIRECTOR HANUS:** And I very much agree with you and that's the
238 reason why we'll be looking at a revision of our Asset Management Plan
239 because the Asset Management Plan really is the portfolio of all of our real
240 estate assets that we have and then we'll look at that in context of also the

241 investment, which is roughly around \$700 million for the Common School
242 Fund. Because you have to look at what's the appropriate rate of return for
243 each part within that portfolio to know what makes sense over the long term
244 to realize the best return overall for the schools.

245 **TREASURER EDWARDS:** Right. Cause, as you know, Mr. Chair, that
246 what happens is, as we witnessed the stock market in having the last three
247 years gone this way, bonds have gone this way, as has real estate value.
248 So, I mean it's – it's part of the reason why you want a balanced approach
249 and I just want to make sure, at least on the record, we were looking at this,
250 sort of in a little broader context.

251 **DIRECTOR HANUS:** And that's why I want it to all fit together and fit
252 into the – what we do in the Elliott Management Plan and the Asset
253 Management Plan is in the cost – the results of that cost benefit study will
254 aid us in that very much.

255 **GOVERNOR KULONGOSKI:** Specifically, that I – I just want my
256 support for this is because of the way that you've actually phrased the
257 recommendation.

258 **TREASURER EDWARDS:** Right.

259 **GOVERNOR KULONGOSKI:** Because they're very, very broad and I
260 think there are many, many elements in this that are not normally in a cost
261 benefit analysis and I think that we need a broad view of it. My only

262 concern is whether you can do this by summer of '04 or do you need a little
263 more time?

264 **DIRECTOR HANUS:** Well, that is a question. We're going to aim for
265 summer of '04. We started to have some discussions with, for example, the
266 Natural Resource Institute and look at what kind of contractors would be
267 best to conduct such a study. So, it depends on how quickly whoever we
268 contract with can get going and doing it. One of the reasons why we hope
269 to aim for that period, and it may be optimistic, is that we'd like to be able
270 to have it as the component that we can consider as we look at the Elliott
271 State Forest Management Plan and as we develop our Asset Management
272 Plan. So, I think what we'll have to do is to come back to you at subsequent
273 Land Board meetings and let you know what the status is.

274 **GOVERNOR KULONGOSKI:** That's what I was going to ask you, is if
275 you would just as routine matter, just give us an update at every Land
276 Board meeting as to where you're at on this.

277 **DIRECTOR HANUS:** We would be happy to do that.

278 **GOVERNOR KULONGOSKI:** What I don't want you to do is to feel
279 like you're getting pressured and the type of review that should be done on
280 this is compromised. So, I want you to, whatever time you take – need, I
281 think you have to take. It's a very important issue. Yes.

282 **DIRECTOR HANUS:** I think it has to be done right. Yes.

283 **GOVERNOR KULONGOSKI:** Okay. Does someone want to?

306 lessee of the year, a second one that would deal with the stream award and
307 a third, related to wetlands. What we are wanting to do, is to solicit
308 nominations in January. We put together a committee that would include,
309 not only DSL staff, but also several organizations that have an interest in
310 these particular areas and then bring it before the Land Board for you to
311 present the awards at your April Land Board meetings. So, we'd like to do
312 this on an annual basis. It is similar to awards that have been done by other
313 natural resource agencies, and in fact, in the research on this, Monte Turner,
314 who also helped with this committee, did a lot of work in looking at what
315 other agencies have done. And we think that this could also fit with having
316 them there when the Governor has his natural resource awards as well. So,
317 with that I would recommend that you approve the recommendation as
318 we've outlined in your materials.

319 **TREASURER EDWARDS:** I move the staff recommendation that we
320 adopt this award program as outlined, which covers three areas.

321 **GOVERNOR KULONGOSKI:** I actually have two questions that I
322 want to ask you.

323 **DIRECTOR HANUS:** Okay.

324 **GOVERNOR KULONGOSKI:** What is the role of the Land Board in
325 choosing the awardees other than handing them the....?

326 **DIRECTOR HANUS:** We've given them – I've neglected to say that
327 we've given an opportunity to have an invitation for Land Board Assistants to
328 serve on the committees to review the applicants.

329 **GOVERNOR KULONGOSKI:** That's what I wanted to make sure of. I
330 would hate to get up here and have somebody the three of us look up and
331 say "Why did they get this?" And I would like to have some way that we
332 have at least a voice in it. The other is that one of the great lessons about
333 being Governor, I find out is that I give Governor's awards and you know it's
334 something you never know about until it shows up on the schedule and I'm
335 going to – and this is how we do this, because you and I have had this
336 conversation – I actually think this is very appropriate because I think that
337 the Land Board stream award and the wetland award – these, I think, are an
338 opportunity for us to actually have a much broader message to the public.
339 Having said that, I think if we're going to do an award, we've got to make it
340 symbolic of the value that we think that these people are doing. And I am
341 not inclined to favor just a piece of paper that I put in a picture frame
342 because most of us who have sat here, our lives get many, many of these.
343 And I'm quite sure that as I look around the room and I know Jim Brown has
344 got boxes full of this stuff and it's all important, but I actually think that
345 what I would like to see, and I just did one for -- everybody thought it was
346 the Governor's awards, but it was actually, I partnered with Special
347 Olympics and what they gave were these bronze cast statues of the pioneer

348 on the top of the Oregon capitol. And not only are they very, very heavy,
349 but they are done very, very well and we honored Norma Paulus and
350 Barbara Roberts and Bob Pamplin, Les Schwab and the OBC – I mean
351 Duncan Wyse. And the thing that I would tell you is that I would like to see
352 – now I’m not telling you it’s a pioneer. I think it should be symbolic.

353 **DIRECTOR HANUS:** Something representative of the award.

354 **GOVERNOR KULONGOSKI:** Of this. And it would be something that
355 I would think that when people see it, they would say, “I want one of those.”
356 It’s not something they put in a trunk, but it actually goes on a shelf some
357 place where they can – they are so proud of it because of what it signifies
358 one. But it is a work of art. And I would like to see what you have in mind
359 about doing this. And if – and I know the rub between using public funds
360 and if that’s the case then I think that I’ll look some other way to figure out
361 how to help you get there because I would like to see this, because I think
362 that it’s very appropriate for the Land Board to do this because of our
363 responsibilities on state lands. And I would just like to see it something that
364 people would say, “If I work hard at this I’ll get one of those.” And so that’s
365 the second piece that I just want to tell you, I want you to think about and
366 I’d like to see. Since I am – since Randall and I chair the Oregon
367 (UNINTELLIGIBLE) Commission. We’re good at this stuff. We can
368 (UNINTELLIGIBLE) these things.

369 **TREASURER EDWARDS:** Could I just say that I think you're adding
370 the right perspective on this? I mean will – we fill these chairs today, you
371 know and at some point we will not and I think the three constitutional
372 officers giving out an award, I think should have that stature that you're
373 describing, Governor and I think that's exactly, you know – I think we'd all
374 pitch in to try to figure out how to make sure this is elevated and financed if
375 it has to be in a way that gets it to that level. Because I think that your
376 awards last Friday were spectacular and that's the kind of quality we need.

377 **DIRECTOR HANUS:** Okay. We will see what we can do be creative
378 and think (UNINTELLIGIBLE) bring it before you.

379 **GOVERNOR KULONGOSKI:** I would like to see if you can get your
380 committee together and just talk about a design. What do you think would
381 be appropriate? And it may be that it may not be for everyone of the
382 awards, because it may be a little different, I don't know. But I -- somebody
383 has to spend a little more time that I think about it. But make it

384 **TREASURER EDWARDS:** But we may have an extra design or two
385 after the quarter. You know (UNINTELLIGIBLE)

386 **GOVERNOR KULONGOSKI:** (UNINTELLIGIBLE) the pioneer wagon?

387 **DIRECTOR HANUS:** We will do that.

388 **GOVERNOR KULONGOSKI:** Okay. You've heard the motion. Is
389 there any further discussion? Any objection? Hearing none, so approved.

412 really hard to clean up the antiquated statutes and rules. She was uniquely
413 qualified to do this, given her former job at Legislative Council, but I think
414 the bigger job was working with staff in implementing the Secretary of State
415 recommendations and putting in place all the necessary fiscal controls and
416 mechanisms to ensure that we got the best value from property. And a
417 component of that is the consumer protection aspect. That it provides
418 important controls for potential heirs of properties that may be out there
419 that we currently don't know about, as well as for claimants of unclaimed
420 property and holders of unclaimed property. So, I'd really like to recognize
421 the job that Jeannette did on that.

422 The second request is to have the Land Board endorse the Oregon
423 Statewide Programmatic General Permit. We've been giving updates to you
424 on efforts to streamline the removal/fill process. This, if this SPGP is
425 adopted by the Corps of Engineers, would cover approximately 60 percent of
426 our removal/fill permits with the Corps. This would be part of an
427 endorsement that would be included in the consolidated statewide –
428 consolidated state comments that are being put together with all the
429 different state agencies. It's also consistent with the Governor's Executive
430 Order on streamlining, the DSL Strategic Plan and state statute.

431 The third item involves a second part of a land and mineral exchange
432 that would be necessary for the creation of the new state park in
433 Washington County. So, this does involve some surface and mineral rights

434 connected with Common School Fund parcels as well as parcels that involve
435 the Oregon Parks and Recreation Department, the Department of Forestry
436 and Longview Fiber Company.

437 The fourth item under the consent agenda is approval to report – for
438 DSL to be able to report before the January Emergency Board. We did
439 receive a budget note when we went before the Legislature during the
440 Natural Resources Ways and Means Committee where we put together work
441 plans to demonstrate what we would do. I’m very pleased to report that we
442 have accomplished a great deal over the short time since the Legislature has
443 been gone and so we will be reporting on what we’ve done to the Legislature
444 in January.

445 And the last item for your consent.

446 **GOVERNOR KULONGOSKI:** Before you go away, could I just ask
447 you a question about that?

448 **DIRECTOR HANUS:** Have you checked -- have you run this through
449 Teresa and DAS and everybody? They all know that this is coming?

450 **DIRECTOR HANUS:** They all know. In fact Lisa Pearson is right
451 there and she’s our budget analyst for DSL. I think we’re going to be
452 meeting with her and Sue McGlashan within the week, where we’re going to
453 be going through – over the format that we’ll be presenting to the E-Board.

454 **GOVERNOR KULONGOSKI:** The thing that I – and it’s to you and to
455 all the people here on your staff is that I actually have to get some control

456 over what goes to the E-Board and I'm just telling you and you can tell the
457 other people if I turn to Teresa and I see an agenda and I said "did you
458 know about this?" and she tells me "they haven't talked to me," I guarantee
459 you it's going to come off. So, I just want everybody to work with her so
460 that I have a sense about what we're making before the E-Board instead of
461 getting picked apart on. And you do that and I just want to make sure that
462 everybody understands how important that she's in the loop on this.

463 **DIRECTOR HANUS:** And that's why Lisa's here and that's why – and
464 she reports directly to Teresa.

465 **GOVERNOR KULONGOSKI:** Okay. Thank you.

466 **DIRECTOR HANUS:** And then the last item is the approval of the
467 October 21st Land Board minutes.

468 **TREASURER EDWARDS:** I move the adoption of the consent agenda
469 as presented.

470 **SECRETARY BRADBURY:** Second.

471 **GOVERNOR KULONGOSKI:** Any further discussion? Hearing none.
472 Approved. I'll sign the minutes.

473 **DIRECTOR HANUS:** I forgot to mention that we also have a new
474 employee – I don't believe that Chris is here (UNINTELLIGIBLE). We have
475 hired a new employee, Chris Bedsaul in Bend. He's filling a new position
476 that we received this past session. It was in the Governor's recommended
477 budget, for an Eastern Oregon Property Manager. And that person will allow

478 us to explore new opportunities of state lands, look at selling isolated parcels
479 and dealing with a number of issues that we get, including trespass and
480 other – and bringing lessees under compliance.

481 **INFORMATIONAL AGENDA**

482 Turning to the Informational Agenda. We have a report on the status
483 of the Common School Fund forestland management. It will be delivered by
484 Marvin Brown who I'd like to welcome. He's the new State Forester for the
485 Oregon Department of Forestry. This was held over from your October Land
486 Board meeting in South Slough. So with that let me turn it over to Marvin.

487 **MARVIN BROWN:** Thank you Ann. Chair, members of the Board,
488 good morning. You all received the written report in October for our
489 Common School Fund lands activities. I thought what I'd do by way of
490 highlighting that is just talk about two items, revenue and endangered
491 species, a little bit and make it pretty quick. On the revenue side of things,
492 for the past six years, 1998-2003, our average harvest on the common
493 school lands has been about 33 million board feet and after their costs are
494 deducted for managing those lands we've returned an average of about \$12
495 million per year to the Common School Fund. That's been our performance
496 on average in six years. I was glad to see that you all approved the cost
497 benefit study. I think one of the things that that's going to do for us, as we
498 do some planning on the Elliott, is give us a sense of benchmark, whether
499 figures like \$12 million per year, is a reasonable return or if it needs to be

500 something different than that. It will give us some good guidance in that
501 way. So, you know we're kind of anxious to get on with that study and see
502 what some of the information yields for us is.

503 Looking just at last year, 2003, unfortunately the figures weren't that
504 good because of some endangered species constraints we're running into
505 take avoidance requirements on marbled murrelets, some other things, we
506 only harvested 24 million feet last year, which is about a, roughly 30 percent
507 reduction from the average. And because prices were lower, in the end we
508 only returned about \$4 ½ million to the Common School Fund, which is 60
509 plus percent lower than normal. So, those figures were not anything to brag
510 about. The endangered species issues that we're talking about apply
511 primarily on the Elliott State Forest. They deal with the northern spotted owl
512 and marbled murrelett and potentially coastal coho salmon. It's part of our
513 effort to update the Elliott Forest Management Plan, which we – Ann
514 mentioned that we'd like to get the cost benefit study completed by early
515 summer. That parallels our track for actually developing the Elliott Forest
516 Management Plan. And as part of doing that, I think what we're going to
517 have to do is arrive at strategy where we can manage those endangered
518 species issues in a way that gives us an ability to achieve, you know, a more
519 reasonable financial return, whatever that, you know, finally ends up being
520 in you all's mind. We hope to have the draft plan prepared and then
521 reviewed through the summer for you all to approve in early 2005. If it

522 looks like a logical way to achieve the results that everybody wants is with
523 the Habitat Conservation Plan that negotiates an incidental take permit with
524 U.S. Fish and Wildlife Service, then that process would take roughly another
525 year after that point. But that's decisions that we'll be looking at as we
526 develop that plan. Like I said they....

527 **GOVERNOR KULONGOSKI:** Marvin, can I ask you a question?

528 **MARVIN BROWN:** Yea. Uh huh.

529 **GOVERNOR KULONGOSKI:** You told me about the 2003 number.
530 What is your projection for 2004-2005? Am I jumping ahead of you?

531 **MARVIN BROWN:** That was going to be my conclusion, but if you
532 want me to conclude, I can tell you right off (UNINTELLIGIBLE) .

533 **GOVERNOR KULONGOSKI:** I was just getting to the bottom line.
534 That's all.

535 **MARVIN BROWN:** The only other thing I was going to add before
536 that is just to say again that I really think that cost benefit analysis is going
537 to be useful. We need – you know we need some benchmarks, what's a
538 reasonable level of performance here that you all can look at that you all can
539 look at that you all can give us guidance on and we can set our objectives
540 accordingly. In the interim, next year 2000 – well this year that we're in,
541 2004, the plan is to harvest about 27 million board feet right now. We don't
542 really have any reason to think that prices are going to go up appreciably,
543 but you know if we get a little jump in price, then we certainly going to try

544 to keep that cost within – within the boundaries and maybe
545 (UNINTELLIGIBLE) a little better.

546 **GOVERNOR KULONGOSKI:** I just read in the paper that there was a
547 deal being struck on the softwood lumber issue (UNINTELLIGIBLE). Will that
548 affect this at all?

549 **MARVIN BROWN:** Boy that’s a good question. I don’t know because
550 when they put that tax into begin with it actually had the reverse affect that
551 everybody was intending. So, if -- you know, get rid of that uncertainty and
552 the end stabilizes our markets that’s certainly going to be a good thing.
553 Whether or not the prices go up, I think it’s going to be more of a matter of
554 economic activity than it will be that. But it certainly is going to make our
555 market more predictable, I think. That’s really the end of my report.

556 **GOVERNOR KULONGOSKI:** Any questions? Thank you.

557 **MARVIN BROWN:** Thank you.

558 **DIRECTOR HANUS:** There are just two other

559 **GOVERNOR KULONGOSKI:** Can I just – one – 27 million board feet.
560 What will that mean, do you think, in dollars to the General Fund after
561 expenses are out?

562 **MARVIN BROWN:** I’d have to look. I think our projections

563 **GOVERNOR KULONGOSKI:** To the Common School Fund
564 (UNINTELLIGIBLE).

565 **ROSS HOLLOWAY:** My guess, eight to ten million (UNINTELLIGIBLE).

566 **MARVIN BROWN:** Yea, depending on prices, that level would yield
567 about \$8-10 million back to the – net back to the Fund.

568 **GOVERNOR KULONGOSKI:** Thank you. Thank you Marvin.

569 **DIRECTOR HANUS:** There are just two other informational agenda
570 items before you. One I'll just say quickly, on – update on the status of
571 navigability issues. We have started the John Day navigability study in
572 accordance with your instructions and we've sent out notices to the property
573 owners and the public interests. We'll have a draft study completed by April
574 2004 with hearings in October and a final decision in possibly December
575 2004. The next on the list of rivers for navigability study is the Rogue River.
576 We do currently, the state rather, currently owns from River Mile zero to
577 River Mile 68 on the Rogue. This covers River Mile 68-158. Interestingly,
578 this one was a request from the Josephine County District Attorney's office
579 because of the conflicts that have been occurring on that stretch of the
580 Rogue River. So that would be a – something that we would come before
581 you in February to ask your permission.

582 **GOVERNOR KULONGOSKI:** Is that the boating issue, the people
583 coming down, tying up on private landowners? Do you know what it was?

584 **DIRECTOR HANUS:** Jeff, do you know? Do you want to come on up?
585 Jeff Kroft is – I'll get John Lilly.

586 **JOHN LILLY:** Good morning, John Lilly, Assistant Director for Policy
587 and Planning. The issues that have risen that caused the Josephine County

588 Attorney to petition for a navigability study are primarily boaters and
589 fishermen along the river bank in the area of – one area of contention is
590 upstream of Grants Pass, between Grants Pass and the City of Rogue River,
591 in the vicinity of Weasku Inn.

592 **GOVERNOR KULONGOSKI:** Thank you.

593 **TREASURER EDWARDS:** Mr. Chair. John, is this largely an issue of
594 enforcement? Is that why it was brought – of trying to enforce the conflict?

595 **JOHN LILLY:** Yes, it is. The District Attorney was called upon by the
596 upland property owners and by the fishermen and law enforcement to, you
597 know, say where can people be and what can they do and they're looking for
598 direction to help them in their jobs as prosecutors and law enforcement
599 agents.

600 **GOVERNOR KULONGOSKI:** Ann, can I – oh, go ahead.

601 **TREASURER EDWARDS:** Oh, I was just going to say, again it's
602 another indication of sort of the challenge and sort of reason why I think we
603 need to look at a longer-term solution here because this isn't the only DA
604 situation and enforcement is as we discussed this the last year, one of the
605 major problems and, you know, again, the process we have, regrettably, is
606 so piece meal it just doesn't get you resolution very quickly and it's river by
607 river. So.

608 **GOVERNOR KULONGOSKI:** Ann, I understand the petitioning
609 process for declaration of navigability. My interest in this when I read it was

610 and what you said was the District Attorney is the petitioning party. How
611 many times, in your memory, has the District Attorney been the petitioning
612 party and I'm interested in where the county commissioners are at on this
613 issue about petitioning. And I just want to get an idea of where everybody
614 is lining up on this thing or was this the District Attorney just self-starting,
615 trying to resolve issue he had in his or her office and the rest of the county
616 government may be or the other governments may be some place else on
617 this, do you know?

618 **DIRECTOR HANUS:** Well, let me turn your question over to John Lilly
619 because this one came in before I became Director and John is our
620 repository of all information on navigability, between him and Jeff Kroft.

621 **JOHN LILLY:** That's a tall order to fill sir. This petition was – came
622 before the Division in the late 1990s and it came from the District Attorney
623 there in Josephine County who petitioned on his own. As a result, as I
624 mentioned earlier, these conflicts and the difficulty he was having ----

625 **GOVERNOR KULONGOSKI:** Is he still District Attorney?

626 **JOHN LILLY:** No sir, he is not. To my knowledge, the county
627 commissioners have not weighed in. You'll recall that a number of these
628 requests have laid dormant for a period of years as a result of efforts on
629 behalf of the Board and the interest groups to try to find a comprehensive
630 solution. When it's be – as it's become clear that there is not a
631 comprehensive solution available and since the result of the decision on the

632 John Day, rendered by Judge Lipscomb, it was apparent to the Board and to
633 the Division that we needed to set a time table to march through these
634 navigability study requests and make a decision as to whether or not we
635 would, in fact, do studies. And that is essentially what we're suggesting we
636 will do in February, is bring back to you the opportunity to decide whether or
637 not you want to instruct staff to commence the navigability study process.
638 That is a part of the statutory construct that exists for the study process
639 today.

640 **GOVERNOR KULONGOSKI:** Randall raised an issue just as you were
641 about to talk and it has some merit and that is, I'm assuming the District
642 Attorney petitioned in his position as the District Attorney, not as an
643 individual and whether, in fact, that office today, because that's who is the
644 petitioning party, actually is still wanting to petition. And I think that it may
645 be incumbent upon you before we get too far down the road to find out
646 exactly whether this remains a position of that office. Because if we go
647 down the road somebody may actually raise an objection as to whether in
648 fact there is a valid petition before the Department.

649 **JOHN LILLY:** Governor and members of the Board. Part of this next
650 step in the process is to notify the adjacent property owners and interested
651 parties, which certainly would include the District Attorney and county
652 commissioners, as to the fact that consideration of a study – initiation of a
653 study is in the making and to obtain their comments and their input.

654 **GOVERNOR KULONGOSKI:** I'm asking actually something of a
655 different question.

656 **DIRECTOR HANUS:** But I think he wants --

657 **TREASURER EDWARDS:** Technically, does it still have merit?

658 **GOVERNOR KULONGOSKI:** I just want to know is the petition still
659 valid before the Department for a navigability study on the Rogue for Mile
660 Post 68-158.

661 **JOHN LILLY:** I think clearly that since you raised the question, it's
662 something we need to delve into. I don't know that there's anything in the
663 Board's regulations or the statute would be

664 **LORE BENSEL:** Governor, I think that's an issue that really DOJ
665 should take on and address because it really is a legal question about the
666 authority of the District Attorney's office.

667 **GOVERNOR KULONGOSKI:** That's fine. Lawyers are like that.

668 **TREASURER EDWARDS:** I was just going to say.....

669 **GOVERNOR KULONGOSKI:** Don't worry (UNINTELLIGIBLE) I'll give
670 you an opinion. No please, I think you're right. Thank you very much, I'm
671 sorry. Go ahead. Can I just say one last thing? You know when I became
672 Governor and I came to my first Land Board meeting and I found out that
673 once again this issue of navigability was a major issue in government and
674 Treasurer Randall Edwards was actually spending a great deal of time trying
675 to resolve this thing. Actually I think he's on the right path of this and we

676 just couldn't get it together and I want everybody to know that Jim Brown
677 and I have been meeting and we're going to actually try to come into the
678 next legislative session with this floatage easement issue in some form so
679 that we can actually get a better look at it and have a better debate about it
680 than we've had this last time. And so, I haven't walked away from what
681 Randall has wanted to do with this issue because I think he's --
682 fundamentally he's correct on how to approach it. It's just that we have to
683 get, I think, some legislative direction on how to do it and we'll take some
684 legal analysis of the floatage easement and what everybody talked about
685 last time was the Montana legislation and that's what I want to look at to
686 see what is different there than here, what we have to do under the
687 constitution and common law, to make this work. But I -- if there is a way to
688 avoid this contentious battle over navigability declaration, I would like to see
689 us, if we can get an option to it. That's what you tried to do?

690 **TREASURER EDWARDS:** I'm with you.

691 **DIRECTOR HANUS:** I would love that.

692 **GOVERNOR KULONGOSKI:** We're going to try, so Jim's still working
693 on it.

694 **TREASURER EDWARDS:** I can't seem to escape it. Yesterday I was
695 up in Astoria and somehow we got onto navigability and I mentioned the
696 John Day and they said not our John Day and I said no, the big John Day.

697 **SECRETARY BRADBURY:** The other John Day.

698 **TREASURER EDWARDS:** There's a little John Day right outside
699 Astoria.

700 **DIRECTOR HANUS:** Thank you. The next item just mentioned is
701 that – is on the Asset Management Plan. I had mentioned that earlier in the
702 meeting. Now that we've completed our strategic plan it's time now to turn
703 to the Asset Management Plan and working on revising that, which the Land
704 Board had adopted in 1995. So, with that, I don't have anything else.
705 There's cookies for you too, if you'd like some cookies before you leave.

706 **GOVERNOR KULONGOSKI:** Is there anything else to come before
707 the Board?

708 **TREASURER EDWARDS:** I just, I just want to make a comment
709 again. In Astoria the folks I met with were very complimentary of the
710 agency and their relationship with the community. And I also want to
711 compliment you on your resourcefulness in recycling pads and I made a
712 comment about how we get recycled. I mean now we're using pads from
713 Roberts, Keisling and Meeker years, so. So we're going to have a great
714 stockpile pretty soon. Thank you.

715 **DIRECTOR HANUS:** It's ghosts of Christmas Past.

716 **TREASURER EDWARDS:** We are showing efficiency. I'm going to
717 use this as an example.

718 **GOVERNOR KULONGOSKI:** Put this on Kevin's list, will you? Is
719 there anything else to come before the Land Board? Hearing none, we're
720 adjourned.