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STATE LAND BOARD MEETING

April 14, 2009

State Lands Building

775 Summer Street NE, Salem, Oregon

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1           I want to thank everyone for joining us today and for  
2 traveling to Salem to participate in the award ceremony. It's  
3 encouraging for the Land Board to know there are so many  
4 outstanding projects taking place throughout the state. And I  
5 commend today's award winners for protecting our natural  
6 resources for future generations.

7           And let me just before I call Kate up, I want to  
8 thank you all very, very personally. This is obviously a very  
9 difficult time financially for the State. You saw the job  
10 figures on Monday. It's a difficult time for our citizens.  
11 And one of the things that I think we always have to keep a  
12 vision of is understanding that we will come out of this.

13           And we want Oregon to be in a better place when we  
14 come out of this than when we went in. And one of the areas we  
15 have to continue to invest in is our natural environment. So  
16 for all of those today I think it's a tribute to what you do in  
17 your own local communities, but also the benefit you give us as  
18 a people over the long run is immeasurable. And I would hope  
19 each and every one of us bears that in mind as we go through  
20 these next couple years; remembering that we will come out of  
21 this and Oregon will be a better place for all of your efforts.  
22 So with that, I'd like to bring up the Secretary of State Kate  
23 Brown. Don't trip on that.

24           **SECRETARY BROWN:** I know.

25           **GOVERNOR KULONGOSKI:** It's a good thing I'm a trial

1 lawyer.

2           **SECRETARY BROWN:** Thanks, Governor. I'm very pleased  
3 to present the 2008 Stream Project Award to the many partners  
4 involved in the Coal Creek Dam removal. The project was  
5 spearheaded by the Tillamook Estuaries Partnership as a great  
6 example of how government agencies and community businesses can  
7 work together successfully to restore more than two miles of  
8 stream habitat.

9           This project has a history dating back to 1949, when  
10 the Tillamook Creamery Association developed a dam on Coal  
11 Creek, a tributary of the Kilchis River. The 30-foot high dam  
12 supplied water to the cheese plant and the surrounding  
13 community for many years, giving us that great Tillamook  
14 cheese. In 1951 the creamery entered into an agreement with  
15 Tillamook County to lease 566 acres of surrounding forestland,  
16 of forestland surrounding the dam in order to protect the water  
17 supply in the creamery's investment in the dam.

18           However, when the waterline eventually failed in the  
19 late 1990s the creamery had no reason to retain the dam, and  
20 sought to terminate its lease with the County, who agreed to do  
21 so if the Creamery Association would remove the dam.  
22 Contractors started the removal process in the summer of 2007.  
23 And by July of 2008 the reservoir had been drained; 500 cubic  
24 yards of sediment had been removed. And 6000 pounds of  
25 explosives had been placed into holes drilled into the dam.

1           On September 5th the Coal Creek Dam was successfully  
2 blasted away. Now, after finishing the cleanup efforts and  
3 removing the waterline, Coal Creek has been restored to its  
4 historic channel. And significant improvements to the creek  
5 have already been observed, including spawning salmon and  
6 gravel movement. Funding for the dam removal project was  
7 provided by the Tillamook County Creamery Association and the  
8 Oregon Watershed Enhancement Board.

9           Technical assistance was provided by the Oregon  
10 Department of Fish and Wildlife, and walks (phonetic) for in-  
11 stream structures were donated by Green Diamond Resource  
12 Company. Contract Entrix Environmental, Euchre Mountain  
13 Construction and Northwest Energetic -- Energetic? Energetic  
14 Services were also involved.

15           With us today to accept the 2008 Stream Project Award  
16 for Coal Creek Dam removal are Tillamook Estuary Partnership  
17 Board members, including Joel Sacks, Valerie Folkema, Pat  
18 Vining, Chris Knutsen. I should know how to say that, being  
19 from Minnesota. Also an Oregon Department of Fish and Wildlife  
20 employee. Shawn Reiersgaard, who is with the Tillamook Creamery  
21 Association, and Tillamook Estuary Partnership staff Lisa  
22 Phipps and Rachel Hoffman.

23           Come on up, you guys, and come forward for a photo  
24 and accept your award. So let's give them a hand. You guys  
25 get in front of the podium. The taller ones in the back would

1 be good, Governor in the middle. Okay. Ready? Okay. The  
2 count of three; 1, 2, 3. Cheese, of course. Let's do one  
3 more. That's great. One more time; 1, 2, 3. Great.

4 **GOVERNOR KULONGOSKI:** I can introduce you.

5 **TREASURER WESTLUND:** Oh, I can. I guess I can't  
6 introduce myself.

7 **SECRETARY BROWN:** Ben has a lot of things but stage  
8 fright is not one of them.

9 **GOVERNOR KULONGOSKI:** I'm sorry, Ben.

10 **TREASURER WESTLUND:** It always bothers me when a guy  
11 that is in violation of ORS 621.718, that's a prohibition about  
12 using your high school yearbook photo in the Division of State  
13 Lands. I don't know who I'm referring to.

14 **SECRETARY BROWN:** That's pretty good.

15 **TREASURER WESTLUND:** Hey, good morning, everybody.  
16 How are you?

17 **SECRETARY BROWN:** Good morning, Ben.

18 **TREASURER WESTLUND:** What a great day. Before I  
19 begin my remarks I really want to thank Louise Solliday and the  
20 entire Division of State Lands staff for helping to organize  
21 this and creating the framework for everyone to participate in  
22 and the eventual winners come forward. It really shows the  
23 dedication that Louise and her entire staff has. So Louise, on  
24 behalf of the entire Land Board, thank you so very much for  
25 your effort.

1           **MS. SOLLIDAY:** Thank you, Mr. Treasurer.

2           **TREASURER WESTLUND:** Today, it's really a good day.  
3 It's my -- my pleasure to present the 2008 partnership to the  
4 Oregon High Desert Grotto for their exceptional work at the  
5 Stevens Road property event. And to the eye, just looking out  
6 across that beautiful landscape; to the eye this parcel also  
7 known by the scintillating name as Section 11, is just an  
8 undeveloped sagebrush covered 640-acre parcel of land oh so  
9 typical in central Oregon.

10           But as we now know, we know now Section 11 has a  
11 secret. Beneath it this tract of land, this piece of Oregon's  
12 volcanic history is -- it contains four lava tubes. And  
13 thanks to the members of the High Desert Grotto, Matt Skeels,  
14 Geoff MacNaughton, Neil Marchington and Jeremy Wendelin, we now  
15 know where those caves are and where they go.

16           It's really exceptional work. Now, these gentlemen  
17 are experienced cavers who over recent years have provided  
18 information on size, location, condition and importantly the  
19 potential management of eight lava tubes; all at no cost  
20 importantly to the State of Oregon, particularly during these  
21 climes, at no cost to the State.

22           2006 the Oregon High Desert Grotto realized that the  
23 Stevens Road Tract was earmarked for eventual development or as  
24 they termed it in their newsletter, a radical and literal  
25 facelift. They figured it would be in the organization's best

1 interest to get involved in the State Lands to, in their words,  
2 help Section 11 be as great as possible. Their primary  
3 interests are to protect the caves from vandalism to insure  
4 they're well managed as an important of Oregon's natural  
5 resource legacy.

6           This proactive approach truly embodies the spirit of  
7 the Land Board's partnership award. Their work has saved the  
8 State literally thousands and thousands of dollars. And it  
9 will be to protect this piece of Oregon history. While they  
10 clearly had fun, and having met them I have no doubt about the  
11 fun part. While they clearly had fun being involved in this  
12 project, the members of Oregon's High Desert Grotto, perhaps  
13 unknowingly also contributed to the State's Common School Fund  
14 by providing important data that will provide the (phonetic)  
15 eventual development of this parcel.

16           The caves are no longer a secret, and that's the  
17 benefit of Oregon's past and Oregon's children. So John Lilly,  
18 the Department asset manager who worked closely with the group,  
19 he says these guys are real pros, who combine their love of  
20 caving with a project that will benefit the State and our  
21 school children for years to come.

22           So all of you that are here today, and let's get the  
23 wives and children up here too. I think that'd be great. Oh,  
24 we've got one really active young lady. So all of you from  
25 High Desert Grotto here, come on up. Let's receive your award

1 and get a photo as well. And thank you all. Want to get your  
2 picture taken with the Governor? Yeah. Everybody get near.

3 **SECRETARY BROWN:** Get the Governor in here?

4 **TREASURER WESTLUND:** Yeah, have an award to hold up.  
5 Do you want to hold it? Yeah. You went to the caves with  
6 Daddy, remember? We got everybody? Yeah.

7 **SECRETARY BROWN:** Got it? There we go. That looks  
8 good over here. There we go. Okay. Here on the count of  
9 three; 1, 2, 3, cheese. Did it go off that time?

10 **UNIDENTIFIED FEMALE:** No, I know I'm scary.

11 **SECRETARY BROWN:** We'll try one more; 1, 2, 3. Okay.  
12 Thank you. Great.

13 **TREASURER WESTLUND:** This is by Artist William Pitt,  
14 lives pretty close to you from the Warm Springs. That's a  
15 trophy.

16 **SECRETARY BROWN:** And this is appropriate, yes.

17 **TREASURER WESTLUND:** And your dad earned it; the  
18 whole group did. All right, everybody.

19 **SECRETARY BROWN:** Congratulations, guys. All right.

20 **GOVERNOR KULONGOSKI:** Go ahead, Louise.

21 **MS. SOLLIDAY:** Governor, first thing I want to do is  
22 recognize Julie Curtis from our staff who's our communications  
23 manager, who takes the lead each year in seeking the  
24 nominations for these awards and working with our contractor to  
25 put the awards together. So Julie, I want to just say thank

1 you to you for all the work you do on these awards every year.  
2 It's a lot of work so thanks.

3 **GOVERNOR KULONGOSKI:** Julie, thank you very, very  
4 much. Thank you.

5 **MS. SOLLIDAY:** First item on the Agenda today is the  
6 Consent Agenda. We only have one item, and that's a request  
7 for approval of the minutes of the February 10, 2009, Land  
8 Board meeting.

9 **GOVERNOR KULONGOSKI:** So moved.

10 **SECRETARY BROWN:** Mr. Chair, I would move approval of  
11 the minutes.

12 **TREASURER WESTLUND:** Seconded.

13 **GOVERNOR KULONGOSKI:** You've heard the motion for the  
14 approval of the minutes. Is there any further discussion?  
15 Hearing none, they're adopted.

16 **MS. SOLLIDAY:** On the Action Agenda today we have  
17 three items. The first is a request for final approval for the  
18 sale of five isolated parcels sold at public auction on  
19 March 26th, and a request for authorization to keep the  
20 remaining parcels open for sale until the end of December 31,  
21 2009, on a first-come/first-serve basis.

22 As a part of our -- the Land Board's approval of the  
23 Asset Management Plan in 2006, the Land Board approved moving  
24 forward with the sale of a number of isolated and scattered  
25 parcels around the state of Oregon. These are mostly

1 rangelands, forestlands that are in many cases completely  
2 surrounded by other ownership, are difficult for us to manage  
3 or impossible for us to manage. And many of them have no  
4 access.

5           We started in northeast Oregon with a four-county  
6 area, identified 24 parcels. As a result of conversations with  
7 agencies, we narrowed down the number of parcels that we were  
8 going to put on the auction block to 16. And we did in fact  
9 hold an auction on March 26. We had bids on five of those  
10 parcels. I think part of the reason for not selling the other  
11 11 parcels; we had done the appraisals on these parcels when  
12 the real estate market was doing well. And we were putting  
13 them on the auction block when things were not doing so well.

14           And so I think we'll come back at a later date and  
15 sell any of these remaining parcels at some point in the  
16 future. The five parcels that sold totaled \$145,850 in revenue  
17 into the Land revolving account. The -- we have had some  
18 inquiries from some folks about our willingness to sell some  
19 additional parcels that did not sell at auction for the  
20 appraised price, which we are willing to do. That's the  
21 minimum price that we can sell these parcels at because they  
22 are all trust land parcels.

23           And so we would like to keep the sale open through  
24 the end of the year for those folks who are interested in  
25 making purchases of some of those parcels. So with that, the

1 staff recommends approval of the sale of these five parcels.  
2 They total 224.86 acres of forestland and rangelands in  
3 Umatilla, Union and Wallowa Counties; and also request for  
4 approval for the Director to sell on a first-come/first-serve  
5 basis the remaining parcels between now and the end of the  
6 year.

7 **GOVERNOR KULONGOSKI:** Is that a motion?

8 **TREASURER WESTLUND:** Yes.

9 **MS. SOLLIDAY:** Yes.

10 **TREASURER WESTLUND:** I move we accept the request for  
11 final approval of the sale of the isolated parcels.

12 **SECRETARY BROWN:** I'll second it.

13 **GOVERNOR KULONGOSKI:** Any further discussion?  
14 Louise, can I ask a question? The people who made an inquiry  
15 to you after the bids closed but they were interested in buying  
16 at the appraised value, I'm always interested. Did they say  
17 why they didn't submit a bid? Did they have notice or what was  
18 it?

19 **MS. SOLLIDAY:** Governor, everyone had notice. I  
20 think in a couple cases where we have interest it is the  
21 surrounding landowner who decided --

22 **GOVERNOR KULONGOSKI:** Oh. Okay.

23 **MS. SOLLIDAY:** --after the sale that they actually  
24 want to buy it. I think some of them didn't want to  
25 necessarily get into a competitive bidding situation; wanted to

1 wait and see what would happen at the sale; and with the  
2 parcels not selling at the sale, are now willing to pay the  
3 minimum bid price in order to purchase the parcels.

4           **GOVERNOR KULONGOSKI:** Okay. I got it; made sense.  
5 Any further discussion? Hearing none, is there any objection?  
6 Hearing none, approved.

7           **MS. SOLLIDAY:** The next Action Item is a request for  
8 final approval of sale of 5.52 acres of historical fill lands  
9 in Coos Bay to Central Dock Company. We have a couple of  
10 people who want to testify. I'll go through the agenda item  
11 and then we can take the public comment. Central Dock Company  
12 applied for -- to purchase these lands back in 2007 at the June  
13 2007 Land Board meeting.

14           The Land Board approved moving forward with reviewing  
15 and determining the suitability of sell -- selling this parcel.  
16 There was a cloud on title that arose from these parcels on  
17 these parcels on State-owned submerged and submersible lands  
18 that had been filled over time to create an upland site. And  
19 as you'll remember we have this issue in a number of places  
20 around the state.

21           The proposed use for the project site is a mixed-use  
22 condominium and retail office space right on the waterfront in  
23 Coos Bay. Central Dock has agreed to the purchase price of  
24 \$72,721, and also agreed to provide a public easement, which  
25 will be a 16-foot wide walkway along the waterfront, which will

1 allow the public to continue to access the waterway along the  
2 waterfront.

3           The Department will reserve the mineral rights for  
4 the parcel, and with that the staff would recommend the  
5 approval of the sale of the 5.52-acre parcel for the price of  
6 \$72,721 to Central Dock Company.

7           **GOVERNOR KULONGOSKI:** We have a couple of people who  
8 want to testify. Helen Burnell Minaeu (Phonetic)? Oh, you're  
9 going to come up together?

10           **MS. MINAEU:** Yes.

11           **GOVERNOR KULONGOSKI:** And with Martha Pagel.

12           **MS. PAGEL:** Yes.

13           **GOVERNOR KULONGOSKI:** State your name and address for  
14 the record.

15           **MS. MINAEU:** I'm Helen Burnell Minaeu. My address  
16 is --

17           **GOVERNOR KULONGOSKI:** Minaeu, I'm sorry.

18           **MS. MINAEU:** That's okay. 95616 South Coos River  
19 Lane, Coos Bay, Oregon 97420. And I'm here representing a  
20 stockholder of Central Dock Company because my father and his  
21 brothers back in 1946 purchased these lots in combinations in  
22 March of 1946, July of '46; two different parcels in July of  
23 '46 and then two other small parcels in October of -- or excuse  
24 me, November of '64 and October of '68, totaling a total of  
25 \$20,000.

1           Now the property is valued and it's for sale at \$1.3  
2 million. This feels like a taking to me. When we applied for  
3 mitigation -- a mitigation permit in 1972 to fill some property  
4 there was not a mention of State ownership at that point in  
5 time. The Department says they sent us a letter in 1987  
6 claiming ownership, but they cannot provide us with a copy.  
7 Now the property is for sale. Now they want payment at the  
8 inflated value after a family has spent millions of dollars in  
9 improvements over 60 years.

10           After we had an agreement to sell the property in  
11 2004 we spoke to Steve Purchase at -- at the Division of State  
12 Lands, claiming that the State owned the property. I asked for  
13 his documentation and was told that it was our obligation to  
14 seek an appraisal and then send it to them. And then they  
15 would do an appraisal and then we would negotiate. They've  
16 never appraised the property.

17           It appears the formula is not a set policy. The  
18 property next to ours is now valued at \$1.8 million, according  
19 to the Coos Historical Society. And they paid \$25,000 to get  
20 clear title for theirs, and they've not paid anything in taxes.  
21 Our property's for sale for \$1.3 (million) and we've paid more  
22 than \$1.2 million in taxes over the last 60 years. And yet the  
23 Division of Lands wants \$72,721 from us. Those numbers just  
24 don't add up. My father told me always to be fair with others  
25 and then keep after them until they're fair with you. I'm

1 asking you to be fair with us.

2           **MS. PAGEL:** Thank you. For the record my name is  
3 Martha Pagel. I'm an attorney with Schwabe, Williamson and  
4 Wyatt, 530 Center Street Northeast here in Salem, and  
5 representing Eastwood Corporation, just working with the  
6 Central Dock owners to redevelop the property.

7           The testimony that you just heard I think illustrates  
8 the level of frustration and ambivalence that you've heard in  
9 the past from folks who are coming forward to settle these  
10 claims and disputed title on historically-filled lands. And  
11 I've talked with all of you in various ways in the past about  
12 these issues. I'm here today to say that we do support the  
13 settlement and the request that is in front of you. And we  
14 hope you will approve it.

15           At the same time we have these continuing concerns  
16 about the State's policy on the disposition of disputed  
17 ownership of historically-filled lands. We appreciate that the  
18 Director of the Department is a problem solver. And Louise  
19 Solliday and her staff have worked with us to try to negotiate  
20 a deal here. As I said, we are willing to move forward with  
21 that deal. At the same time we think the Department has very  
22 limited tools right now.

23           And for that reason we are supporting House Bill 2573  
24 that's going to be heard later today, as a coincidence,  
25 regarding new policy direction on identifying and recognizing

1 that there is a dispute and it requires a very intense kind of  
2 factual analysis; historical factual analysis to determine the  
3 title. This bill as -- with amendments that we've worked on  
4 with Representative Rogland would provide some guidance on how  
5 to work through that in what we think is a more simple and fair  
6 and clear way to deal with resolving the policy issues.

7 Department of State Lands is also working on new  
8 rulemaking that would provide further guidance. And we are  
9 appreciative of those efforts and have been working with staff.  
10 So we think there are some opportunities to move forward with  
11 better policy direction. And in the interim we ask for your  
12 approval of this item.

13 **GOVERNOR KULONGOSKI:** Any questions?

14 **TREASURER WESTLUND:** Mr. Chair.

15 **GOVERNOR KULONGOSKI:** Go ahead.

16 **TREASURER WESTLUND:** It's Helen?

17 **MS. MINAEU:** Yes.

18 **TREASURER WESTLUND:** Helen, first of all, thank you  
19 for making the long trip up here today.

20 **MS. MINAEU:** Okay.

21 **TREASURER WESTLUND:** I assume this is one of many in  
22 this effort.

23 **MS. MINAEU:** Yes.

24 **TREASURER WESTLUND:** But again, for today thank you.  
25 I know it's a long trip. A question just for context.

1           **MS. MINAEU:** Yes.

2           **TREASURER WESTLUND:** The property next to yours.

3           **MS. MINAEU:** Yes.

4           **TREASURER WESTLUND:** The Historical Society property.

5           **MS. MINAEU:** Uh-huh (affirmative).

6           **TREASURER WESTLUND:** Appraised at \$1.2 (million) at  
7 I'm guessing approximately the same time?

8           **MS. MINAEU:** No, according to their -- I don't know  
9 what their appraisal was. I just know that they sent a letter  
10 out stating that -- stating that they now -- they now --  
11 they've decided now that their value of it is -- is \$1.8  
12 (million). And that's the part that they paid \$25,(000), I  
13 mean -- \$25,000 or \$50,000 for it when they got it in an  
14 auction.

15           The Urban Renewal District did and they haven't --  
16 the Urban Renewal District hasn't given it to the Historical  
17 Museum yet. But that's -- but there -- in the latest letter  
18 that they've sent to -- to Washington asking for more money,  
19 they claim the value is the \$1.8 million.

20           **TREASURER WESTLUND:** And that auction was --

21           **MS. MINAEU:** Back taxes.

22           **TREASURER WESTLUND:** And that was --

23           **MS. MINAEU:** Back in 19 -- in 2000 --

24           **TREASURER WESTLUND:** Right, that's my question today.

25           **MS. MINAEU:** Yeah. Yeah.

1           **TREASURER WESTLUND:** 2000 and something?

2           **MS. MINAEU:** Yeah, 2000, I think was the date for the  
3 auction.

4           **TREASURER WESTLUND:** It's close enough.

5           **MS. MINAEU:** Uh-huh (affirmative).

6           **TREASURER WESTLUND:** Okay. Thank you for that. That  
7 helps me give this issue a little context. And again, thanks  
8 for your efforts.

9           **MS. MINAEU:** Uh-huh (affirmative).

10          **MS. PAGEL:** Mr. Treasurer, members of the Land Board,  
11 that parcel that was owned by the Coos -- City of Coos Bay  
12 Urban Renewal Agency was the subject of a settlement with the  
13 State Land Board several months back and went through a similar  
14 process.

15          **GOVERNOR KULONGOSKI:** Thank you. Any further  
16 questions? Thank you very, very much. Anyone else testifying?  
17 Louise is going to add some context to this.

18          **MS. SOLLIDAY:** Well, just a little bit of history on  
19 the City property. The City of Coos Bay Urban Renewal District  
20 purchased the property from the County, Coos Bay County, who --  
21 Coos County, who had foreclosed on the property for nonpayment  
22 of taxes. And as I recall, the City Urban Renewal District  
23 paid \$400,000 for the property. I think it was in 2002 or  
24 2003. Was it --

25          **MS. MINAEU:** No, they paid \$50,000 at an auction.

1           **MS. SOLLIDAY:** No, the -- no, the City Urban Renewal  
2 District purchased the property from the County for \$400,000 or  
3 \$500,000; I can't remember, a few years ago. The City then,  
4 Urban Renewal District then settled with the Land Board for the  
5 sale of less than two acres of historical filled lands, which  
6 was our portion that was below the ordinary -- the 1904  
7 ordinary low waterline that was a part of that tax lot at  
8 uplands in Coos County.

9           This -- we have several other parcels still remaining  
10 in Coos Bay that have cloud on title as a result of our  
11 assertion of ownership of the formerly submerged and  
12 submersible lands. Coos Bay is not the only place where this  
13 issue has arisen. We also have parcels on the Columbia and the  
14 Willamette and some other estuaries on the Oregon Coast.

15           It's an issue the Department's been dealing with for  
16 many, many years; for decades in fact. We have done a number of  
17 sales of these parcels over the years to clear up the cloud on  
18 title. We've been resolving them one at a time. As Martha  
19 Pagel indicated, there is a bill that's been introduced by  
20 Representative Rogland, the session House Bill 2573, which will  
21 have its first hearing this afternoon.

22           We support the original bill. There are some  
23 amendments, which we have some concerns with, which we'll  
24 express to the committee this afternoon. But I think hopefully  
25 we'll get a pathway forward here. As Martha indicated, we are

1 in rulemaking currently on our land sales rules with the intent  
2 to bring those to the June Land Board meeting. We are  
3 developing within those rules.

4 **GOVERNOR KULONGOSKI:** Why don't you wait?

5 **MS. SOLLIDAY:** Pardon?

6 **GOVERNOR KULONGOSKI:** They're trying to get these  
7 people to be quiet. There was a dull roar.

8 **MS. SOLLIDAY:** We are working on a set of rules. As  
9 part of that, we are dealing with historical filled lands and  
10 developing a set of criteria by which we would make those  
11 sales, and a set of discounts; a list of things that we would  
12 discount the value of those parcels at. I think we've tried to  
13 be fair in our negotiations with the landowners in Coos Bay.

14 These parcels are fairly highly valued. They're  
15 waterfront property. And so we are selling them at a severely  
16 discounted price, given the -- the situation that we're in down  
17 there. The fundraising letter from the museum I think is just  
18 that; it's a fundraising letter. And they're estimating a  
19 value of \$1.8 million.

20 I don't think -- I would suspect that that's not  
21 supported by an appraisal. And I suspect that that is a number  
22 that's being used to try and leverage funds from potential  
23 funders for the museum. So I'd not go to the bank on the value  
24 of that property being \$1.8 million. With that again I'd  
25 recommend approval of the sale of this 5.52 acres for \$72,721.

1           **GOVERNOR KULONGOSKI:** Louise, just one more question.

2           **MS. SOLLIDAY:** Uh-huh (affirmative).

3           **GOVERNOR KULONGOSKI:** Tell me the general structure  
4 of House Bill 2573; the original one. What does it do to help  
5 us with this particular problem that we've heard about this  
6 morning?

7           **MS. SOLLIDAY:** Governor, what the -- what the bill  
8 would do is actually codify what we do in terms of what the  
9 value of the parcel is as a starting point. And what it says  
10 currently is that the -- the value of the property would be  
11 appraised as bare land. So you wouldn't include any of the  
12 improvements that have been made by private citizens or  
13 companies along these waterfronts.

14           And you would assume that the State's ownership is to  
15 the bare land and appraise the parcel at the bare land price.  
16 The amendment would have us appraise those parcels as though  
17 they were still submerged and submersible lands. And we've got  
18 a problem with that.

19           **GOVERNOR KULONGOSKI:** Mr. Chair.

20           **TREASURER WESTLUND:** I move Action Item 3, request  
21 the final approval for the sale of 5.52 acres of historic-fill  
22 land in Coos Bay to the Central Dock.

23           **GOVERNOR KULONGOSKI:** Heard the motion; is there a  
24 second?

25           **SECRETARY BROWN:** I'll do a second, Mr. Chair. I

1 just also wanted to make the comment that I appreciate the  
2 parties coming forward. I know this has taken a long period of  
3 time for the folks involved. I'm hoping that the Division will  
4 move more quickly to resolve these issues that are out there  
5 and that we can move forward. But with that I'll second the  
6 motion.

7 **GOVERNOR KULONGOSKI:** Heard the motion; is there any  
8 further discussion? Hearing none, approved.

9 **MS. SOLLIDAY:** Thank you. The last Action Item  
10 involves first a review of our Common School Fund investments.  
11 Mike Mueller is here from the Treasurer's Office to provide you  
12 a review of the past year's activities with the Common School  
13 Fund.

14 And then I'll talk about the distribution policy and  
15 make a recommendation on the distribution policy. And just for  
16 your reference, what Mike is going to be covering is in  
17 Appendix A in Item 4. And he's handing out some additional  
18 charts and graphs for you to take a look at as well.

19 **MR. MUELLER:** Good morning, I'm Mike Mueller. I'm  
20 the deputy chief investment officer at the State Treasury.  
21 I'll wait for the handouts to come. I will keep my remarks  
22 brief since I've provided you some commentary in your  
23 information. I just wanted to highlight a few things.

24 I've scoured through all the data that we've had,  
25 that we've received from various sources about the economic

1 situation that we're in before I get into the performance of  
2 the fund specifically. And hopefully these two charts capture  
3 most quickly kind of what we've been facing.

4           You'll hear a lot of talk that this is unprecedented.  
5 We haven't seen anything like this since the Great Depression,  
6 et cetera. But if you look at the first chart I handed out,  
7 which looks like a giant letter M; we've actually seen this  
8 within the last ten years. In 19 -- this is the S and P 500  
9 for the last ten years; 12-year period.

10           Beginning in 1997 the S and P from 1997 till the  
11 middle of 2000 was up 106 percent. The ensuing tech bubble  
12 burst and the market declined 49 percent from 2000 till October  
13 of 2002. The interesting thing in something that's lost on  
14 folks that don't delve into numbers a lot is when you decline  
15 49 percent, 50 percent to get back to where you were you need  
16 to achieve 100 percent return.

17           And in fact the S and P 500 did that from October  
18 2002 to the peak of the market in October of 2007. What has  
19 been different this time is the dramatic nature in which the  
20 equity markets have declined following several incidents that  
21 have been broadly discussed in the press. And you're all aware  
22 of them, but the market declined 49 percent essentially from  
23 October of 2007 until the end of March of this year.

24           So when you look at it all in big picture the equity  
25 markets didn't make any money for the last ten years. But it

1 was a fund right along the way presumably. The second slide,  
2 and I've circled in the bottom right-hand corner, it didn't  
3 matter what kind of equities you're invested in. This is from  
4 the peak, what I circled there in the bottom right-hand corner,  
5 didn't matter if you were in large caps, small cap, value  
6 stocks, grow stocks. They were all down roughly about 50  
7 percent.

8           So that's kind of the background that we have in the  
9 equity markets. And your portfolio is geared towards long-term  
10 performance, so it's skewed with an equity bias. Seventy  
11 percent of the portfolio is in equity securities, which is  
12 common for an endowment-type fund. That is split roughly 50 --  
13 the 30 percent domestic stocks, 30 percent international.

14           And we've created a ten percent allocation in private  
15 equity securities that we're just beginning to ramp up so that  
16 private equity exposure has not yet really taken hold in the  
17 portfolio. So with that background for the one-year period  
18 ended December 31st, the Common School Fund was down 32.4  
19 percent. When we see short-term performance of this nature we  
20 usually encourage you to look at longer-term performance.

21           So we'll do that. But if you go out ten years, not  
22 unlike the markets that I've just shown you, the portfolio's  
23 been basically flat. That said, the Common School Fund has  
24 continued to distribute earnings to the schools. Most  
25 recently, I think it's what, \$25 million.

1           **MS. SOLLIDAY:** \$95 million this biennium.

2           **MR. MUELLER:** This biennium. And lastly as my last  
3 comment will be the more recent performance, which I have  
4 through the end of February. We're actually calculating  
5 performance through March currently. The fund was down year to  
6 date another 11 percent. But relative to the passive  
7 alternative in the fund, which was down 12.9 percent, so on a  
8 relative basis I guess we lost less than the broad market did.

9           But again, I guess we continue to take a long-term  
10 view. We've worked with our consultant to look at various  
11 changes to the asset allocation for the portfolio. But to  
12 maintain the long-term stability or growth of the fund and meet  
13 your distribution requirements, this kind of equity exposure is  
14 what's required. So with that I'd be happy to answer any  
15 questions.

16           **TREASURER WESTLUND:** Just a comment, Mr. Chair. When  
17 we look at this performance in the Common School Fund and our  
18 short-term fund and the Public Employee Retirement Fund and it  
19 all kind of mirrors what most of our own personal experience  
20 are with our own portfolios. We look at this and we go, you  
21 know, this is not foreign to me. And so it begs the question  
22 where do we go from here?

23           And the answer is that it rests and lies on the skill  
24 and quality of Oregon's investment division; Ron Smits  
25 (Phonetic), Mike Mueller, Jay Fuel (Phonetic). We have 16

1 individuals that, not my opinion, just proven documented fact,  
2 currently have the -- has managed our Public Employee  
3 Retirement Fund into the best-funded retirement fund in the  
4 country.

5           We are still with these traumatic losses. It's  
6 really an exceptional group of people that whose efforts go  
7 unsung. When the bottom falls out of a market and the -- the  
8 difference between this one is all segments, all sectors; real  
9 estate, private equity, public equity, financial instruments,  
10 bonds, short-term funds.

11           All sectors of the market were equally impacted.  
12 Well, or dramatically impacted. So it's -- this performance in  
13 the recovery that we've seen in the past and we'll see again  
14 really lies with 16 individuals that are literally the best at  
15 what they do in the country. So Mike, on behalf of not just  
16 myself but the entire Land Board, please convey those  
17 sentiments to the rest of the troops up in Tigard.

18           **MR. MUELLER:** Will do. Thank you.

19           **TREASURER WESTLUND:** Appreciate you.

20           **GOVERNOR KULONGOSKI:** The question I have; if you  
21 could just help me. I'm looking in our book on the  
22 distributions in the color-coded thing, this thing.

23           **MS. SOLLIDAY:** Yes.

24           **GOVERNOR KULONGOSKI:** Just help me, Louise, a little  
25 bit with that distribution curve and so I understand again what

1 it all is.

2           **MS. SOLLIDAY:** Governor, I want to talk about the  
3 distribution policy in a second.

4           **GOVERNOR KULONGOSKI:** Okay.

5           **MS. SOLLIDAY:** Through this in some detail, if there  
6 are more questions for Mike we probably ought to take those  
7 first and then I'll -- I'm going to talk about the distribution  
8 policy and we'll explain these charts.

9           **GOVERNOR KULONGOSKI:** This is a much broader  
10 question. You've been in this business trying to manage this  
11 portfolio I'm looking at. The issue I always have is that I  
12 know what you got is the historical action since '97. Is there  
13 anything in this current economic situation which would kind of  
14 indicate to you this is not like something we have seen before?

15           **MR. MUELLER:** Governor Kulongoski, member of the  
16 Boards, I would just say we -- we try to go back and run  
17 scenario analysis of -- the Great Depression's probably too  
18 long ago. So we start to look at '73/'74 period, which  
19 actually started in the '60s and was a similar ten-year period  
20 that lasted well into the -- the late '70s.

21           You all know the high interest rates that we  
22 experienced in the early '80s. There was another real estate  
23 downturn in the early '90s. It's -- it's cyclical in nature;  
24 these -- these peaks and these valleys. It's tough to know if  
25 "this time is different," I guess. There was the -- the S and

1 L crisis that we went through.

2           So there always seems to be something else that we  
3 try to guard against and we hope that we're -- we learn lessons  
4 from what we go through. But by and large it's -- it's  
5 something that -- that we haven't seen or experienced before.  
6 But the expectation is that a sound capital market as we have  
7 in the United States and that's been spreading around the world  
8 will right itself and will come through this in -- in good  
9 shape.

10           The \$64,000 question is how long is that going to  
11 take. And that's what nobody has an answer to. People were  
12 talking about a recovery beginning in late last year, and then  
13 they moved it to late 2009. And now the current prognosis is  
14 well, late '09, early 2010. So it remains to be seen. But I'm  
15 confident that, you know, we'll look back on this and hopefully  
16 it'll be another one of those periods where we learn. We took  
17 some things away from it and we moved forward.

18           **GOVERNOR KULONGOSKI:** The piece of it that concerns  
19 me a great deal is that in all of the other situations you  
20 described and since I've lived through most of them, both in a  
21 private and a public position, I never ever doubted that the  
22 financial service sector was sound enough that we would recover  
23 and go forward. I am just concerned about the situation in the  
24 financial service markets, which the President and Secretary  
25 Geitner and everybody else talks about because when you're

1 talking about the structural changes that they're looking for  
2 right now, to have them absorbed into the economy into our  
3 financial service part of our economy and have them actually go  
4 through the economy I don't think is a quick fix.

5 I think it's going to take a considerable amount of  
6 time. And I think that the issue I always am concerned about is  
7 not just where we're at today but where we're going to be five  
8 years from now in this recovery. And that's why I asked the  
9 question about whether in fact this was unlike anything we've  
10 seen in recent times because I think the greatest concern is,  
11 is that the State experience and which this portfolio will do a  
12 number of years of slow growth coming out of this.

13 And ultimately we will get back to having a chart  
14 like this where we will recover. But it's just going to take us  
15 a longer period of time I think than we've seen before. Would  
16 you think that that would --

17 **MR. MUELLER:** Governor, I'd -- I'd agree with that  
18 assessment.

19 **GOVERNOR KULONGOSKI:** Louise?

20 **MS. SOLLIDAY:** Okay. So what I want to do then is  
21 shift into a discussion of the distribution policy. The Land  
22 Board reviews the distribution policy every other year. And the  
23 staff is actually recommending a fairly significant change to  
24 the policy this year. Currently the distribution policy is a  
25 sliding scale from two to -- two percent to five percent of the

1 change in the average three-year rolling -- the change in the  
2 three-year rolling average of the fund balance on December 31st  
3 each year.

4           And if you look at the chart that's in Appendix C,  
5 the first chart there that shows the distributions, that is  
6 represented by the black line. So you can see that even though  
7 going to the three-year rolling average was an attempt to  
8 smooth out the distributions, we still are going through these  
9 periods of big distributions and then these big decreases in  
10 distributions.

11           And next biennium under the current policy we are  
12 projecting a two-percent distribution, which is the minimum  
13 distribution. And we've had some conversations within the  
14 staff. And as you're all aware, Speaker Hunt has expressed an  
15 interest in moving the distribution policy to more of an  
16 endowment-type policy where we are doing a set distribution in  
17 terms of percentage of the rolling average each year.

18           We modeled a three-percent distribution, a four-  
19 percent distribution, and a five-percent distribution based on  
20 the fact that we currently have the sliding scale that runs  
21 between two percent and five percent. And you can see what  
22 each of those look like in terms of what distributions would  
23 have been, going back to 1997 with the blue line representing  
24 the maximum or the five-percent distribution; the yellow line  
25 representing the four-percent distribution; and the pink line

1 representing the three-percent distribution.

2           And you'll notice that the lines are further  
3 flattened out from the current distribution policy, would give  
4 better predictability under any of those scenarios to school  
5 districts and to the folks who need to put together the State  
6 budget in terms of what the contribution of the Common School  
7 Fund would be to support K to 12 education each biennium.

8           If you flip over to the next chart what we did was  
9 then take a look at what would be the running average balance  
10 of the Common School Fund under each of those scenarios again,  
11 and same colors for the lines so that you can sort of see with  
12 a three-percent distribution you'd have a larger Common School  
13 Fund; four percent not quite as large; five percent even less.  
14 And the black line represents the current policy.

15           So you can sort of get a sense of the effect on the  
16 ending balance of the Common School Fund. The over-arching  
17 policy of the Land Board has been try to maximize distributions  
18 but continue to grow the fund over time and build in a hedge  
19 for inflation as a part of the policy. And we believe that the  
20 four-percent distribution lines us up best to stay consistent  
21 with that policy of maximizing distributions, having a hedge  
22 for inflation and continuing to grow the fund.

23           Based on the goal of the investments of the Common  
24 School Fund to have a nine-percent earnings annually over a  
25 long period of time. So staff is recommending that we go to a

1 four-percent distribution of the three-year rolling average,  
2 and that we would pay an extra percent or distribute an extra  
3 percent so distribute five percent in those years when the  
4 change in the three-year rolling average from the previous  
5 three-year rolling average is greater than 11 percent, which is  
6 what we currently do under the policy that's in affect now.

7           So if the fund performs well, and we've actually had  
8 this occur this past -- this current biennium, we would make  
9 that maximum distribution of five percent. So the -- the staff  
10 recommendation is to change the policy to a four-percent  
11 distribution on an ongoing basis. And it would get bumped up  
12 to a five-percent distribution in years when the fund is  
13 performing exceptionally well. And as I said, that has  
14 occurred in the past and we have done those maximum  
15 distributions on occasion. And with that I'd be happy to  
16 answer any questions.

17           **GOVERNOR KULONGOSKI:** I have a question for Mike  
18 again. I know there's an easy answer to this and I just don't  
19 know what it is. I'm taken by the similarity between these two  
20 graphs, which tells me that the distribution was based upon how  
21 the fund did in the market. We're moving away from that. Why  
22 would that not put the fund in jeopardy if I move to the other  
23 piece of this as far as its corpus if I am not following that  
24 market trend?

25           **MR. MUELLER:** Governor, as part of your current

1 policy you have a ceiling and a floor so that you're  
2 distributing a range of amounts, right?

3 **GOVERNOR KULONGOSKI:** Yes.

4 **MR. MUELLER:** And all this is doing is taking out  
5 some of those peaks and valleys. And you're essentially  
6 averaging what you expect your long-term distribution to be, be  
7 it 3, 4 or 5 on average. And I think --

8 **GOVERNOR KULONGOSKI:** I just take a longer-term view  
9 than just a short-term view from year to year.

10 **MR. MUELLER:** Right.

11 **TREASURER WESTLUND:** Well, and if I could, Mr. Chair,  
12 Governor, I think not just what Mike is saying but what Louise  
13 is reflecting in her comments with regard to the management  
14 perspective of the Common School Fund; run it as an endowment  
15 and therefore the longer-term view. That's why while we're  
16 deeply concerned about these equity erosions in the fall in  
17 value of not just the Common School Fund but the perp  
18 (phonetic), that is the investment perspective as a longer-term  
19 view.

20 And so while we're going to have these peaks and  
21 valleys over any given period of time as we look to the future,  
22 this will smooth and I think that's really -- that's how we  
23 view the perf, the 20-year actual horizon. That's how I think  
24 the Common School Fund should be viewed. I appreciate Louise's  
25 perspective as an endowment.

1           Financially this works. But I would call everyone's  
2 attention to the second page of the graphic. You can see the  
3 CSF average balance. You look at the data between the pink and  
4 the blue lines and you go well, it's a two-percent  
5 differential, which in 200 basis points is a -- it's a big  
6 move. And that's \$170, \$180 million worth of corpus valuation  
7 right there.

8           So small numbers are very important when it comes to  
9 the long-term management of any fund. And in this case  
10 obviously the -- the Common School Fund. But I -- I think  
11 Louise is exactly on the right track with regard to running  
12 this as an endowment as opposed to a give and take out based on  
13 any prior three years performance.

14           **GOVERNOR KULONGOSKI:** Just -- go ahead, Kate, go  
15 ahead.

16           **SECRETARY BROWN:** Thank you, Governor. Mike or  
17 Louise, can you tell us or let us know approximately how many  
18 times in the -- in the last couple of decades that we've --  
19 we've been at the 11 percent growth level?

20           **MR. MUELLER:** Let's see. Yeah. Secretary of State  
21 Brown, if you look at the handout that I put together that's  
22 part of your materials, it's on page 3. It doesn't provide you  
23 the three-year rolling average but it provides you the calendar  
24 year performance of the fund. And you'll see in fact that in  
25 calendar year 2003, 2004 and 2006 the fund earned --

1           **MS. SOLLIDAY:** So Appendix A?

2           **MR. MUELLER:** Oh, I'm sorry.

3           **MS. SOLLIDAY:** Page 3.

4           **MR. MUELLER:** So there were three calendar years  
5 where we exceeded 11 percent returns.

6           **SECRETARY BROWN:** Okay.

7           **MR. MUELLER:** Most notably in 2003 when the fund  
8 earned 24 percent.

9           **SECRETARY BROWN:** Four.

10          **GOVERNOR KULONGOSKI:** Huh?

11          **SECRETARY BROWN:** Four.

12          **MR. MUELLER:** Four; I'm sorry, I was looking at the  
13 benchmark return.

14          **SECRETARY BROWN:** Thank you, Governor. And then I'm  
15 more than happy to make a motion when you're ready.

16          **GOVERNOR KULONGOSKI:** I just want to make sure I --  
17 let me get very practical at this. How much did we give to the  
18 school districts this year?

19          **MS. SOLLIDAY:** Governor, this -- this biennium we did  
20 a five-percent distribution the first year, and a four-percent  
21 distribution the second year; \$95.4 million, largest  
22 distribution in the history of the fund.

23          **GOVERNOR KULONGOSKI:** Under the new proposed how much  
24 will we get?

25          **MS. SOLLIDAY:** Next biennium we were projecting a

1 two-percent distribution, which would have been \$30 million.  
2 Going to this policy we will do a minimum of four percent. And  
3 that would be \$60 million.

4           **GOVERNOR KULONGOSKI:** So they're actually taking a  
5 \$30 million reduction from what they did in this last biennium.

6           **MS. SOLLIDAY:** That's correct and they were going to  
7 take a \$60 million reduction.

8           **GOVERNOR KULONGOSKI:** Sixty, yeah, I got it. I got  
9 it. Those are the practical numbers.

10           **MS. SOLLIDAY:** The good news here is we'll be  
11 doubling the distribution over what was projected in the budget  
12 under the new policy.

13           **GOVERNOR KULONGOSKI:** Yes, yes, yes. Yes, yes, yes.  
14 I think I got that.

15           **MS. SOLLIDAY:** Governor?

16           **GOVERNOR KULONGOSKI:** In the Governor's recommended  
17 budget; that's what you're trying to say. She knows very well.  
18 Okay. Before we take, there's another person who wants to  
19 testify.

20           **MS. SOLLIDAY:** Yeah, I think Otto, I was looking --

21           **GOVERNOR KULONGOSKI:** Is Otto here?

22           **MS. SOLLIDAY:** He had to leave for an 11:00.

23           **MR. SCHELL:** No, I'm here.

24           **MS. SOLLIDAY:** Oh, you are here.

25           **GOVERNOR KULONGOSKI:** Oh.

1           **MS. SOLLIDAY:** Great, I thought you had gone.

2           **GOVERNOR KULONGOSKI:** Okay. Otto, please.

3           **MR. SCHELL:** Good morning. I'm Otto Schell, the  
4 legislative director for the Oregon PTA. Do you need an  
5 address too, Governor?

6           **GOVERNOR KULONGOSKI:** For the record.

7           **MR. SCHELL:** Yeah, you bet. 3611 Northeast  
8 Klickitat, Portland, 97212.

9           **GOVERNOR KULONGOSKI:** Thank you.

10          **MR. SCHELL:** And welcome to the new Board, members.  
11 If I call you senator you'll understand, so from your former  
12 time over at that other building. Governor, I appreciate your  
13 questions today. I had many of the same questions. Louise  
14 came and spoke to our education coalition group, laid out the  
15 smoothing and the -- the use of an endowment-style model.

16           I think it -- it reassured a lot of us that this was  
17 an approach that wouldn't wreak havoc on the -- the corpus of  
18 the -- of the fund. I'm also -- I also derived some small  
19 comfort that you are charged with revisiting us every two  
20 years. So it would be pretty quick and easy to determine, okay,  
21 how did that work?

22           The unusual circumstances of the current economy;  
23 they're on everybody's mind. I think the -- the Oregon --  
24 speaking on behalf of the Oregon PTA only and not our other  
25 coalition partners who were all briefed by Louise, we want to

1 grow the fund and get as many dollars as we can to help fund  
2 schools in the current circumstances. It's a -- it's a funny  
3 dilemma in the current marketplace.

4 But we -- we believe with all those caveats that the  
5 smoothing approach makes sense. And it should meet the  
6 expectations that you have to protect the fund and still get  
7 the money to schools, particularly in the current environment.  
8 It will be well -- well received and well used.

9 **GOVERNOR KULONGOSKI:** If I could, just another  
10 experience; I honestly think that one of the problems, some  
11 structural problems in the PERS system, one of the issues that  
12 got us into trouble was an overly-ambitious distribution of the  
13 income earned off the fund.

14 **MR. SCHELL:** You bet.

15 **GOVERNOR KULONGOSKI:** And I've learned a very  
16 valuable lesson in that way, and I'm just cautious of it. And  
17 it's not that I'm opposed to it; I'm just going to use that two  
18 years to -- well, for another year and a half I'll watch it.  
19 Okay.

20 **MR. SCHELL:** Well, I -- I share your concern,  
21 Governor. And I understand what -- where that comes from. I  
22 believe the Department of State Lands folks have looked part of  
23 that. And based on the -- the presentation and the materials  
24 that Louise provided us, we understood that they were trying to  
25 balance the two; try to provide good and, you know, not

1 aggressive but quality distribution while still protecting  
2 the -- the body of the -- of them.

3           **GOVERNOR KULONGOSKI:** Thanks, Otto.

4           **MR. SCHELL:** Yup, you bet.

5           **GOVERNOR KULONGOSKI:** Any questions?

6           **MR. SCHELL:** Thank you.

7           **GOVERNOR KULONGOSKI:** Hearing none, thank you.

8           **SECRETARY BROWN:** Governor?

9           **GOVERNOR KULONGOSKI:** Yes.

10           **SECRETARY BROWN:** I would move approval of the staff  
11 recommendation with the proposed policy providing for  
12 distributing four percent of the three-year average balance  
13 each year, with a five-percent distribution when the three-year  
14 average has been increased by 11 percent or more and a biannual  
15 revisit of the policy.

16           **GOVERNOR KULONGOSKI:** Heard the motion; is there a  
17 second?

18           **TREASURER WESTLUND:** I second.

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

20 Hearing none, it's adopted.

21           **MS. SOLLIDAY:** All right. Thank you. So we have a  
22 couple of Informational Agenda Items today. First I'm going to  
23 invite Mike Graybill, who is the manager of the South Slough  
24 National Estuarine Research Reserve up to the table, who is  
25 going to do an overview of the reserve's programs and

1 activities over the last couple of years.

2           **MR. GRAYBILL:** Thanks. Governor and members of the  
3 Land Board, my name's Mike Graybill, and I'm the manager of the  
4 South Slough National Estuarine Research Reserve, which is a  
5 coastal-protected area down on the south coast at the south end  
6 of Coos Bay. The reserve was created in 1974 as a coastal-  
7 protected site and partnership between the Department of State  
8 Lands and National Oceanic and Atmospheric Administration.

9           And I have the great honor today to preview and --  
10 other members of the audience here up to date on a progress  
11 report. The focus of our program at the South Slough Reserve  
12 is estuaries. And those are the locations where rivers meet  
13 the sea. Okay. In Oregon we have roughly 25 estuaries. And  
14 if you look at them you'll find they're quite distinct from one  
15 another.

16           Not every one of these transition zones where a river  
17 meets the sea creates the same type of circumstances. In some  
18 situations we have rivers in Oregon that meet the sea where  
19 they're large rivers, and the transition between the river and  
20 sea is dominated by the river. And some two examples here  
21 would be the Columbia River and the Rogue River.

22           Elsewhere not far away, perhaps sometimes just one  
23 river one direction or another from a river-dominated system we  
24 may have one where the signal of the river is very weak. And  
25 the ocean process has built up sand bars and -- and helped to

1 define the nature of those estuaries. And examples there would  
2 be Sand Lake or Netarts Bay.

3           Still elsewhere we have situations where because of  
4 the changes in historic sea level over the last 10,000 years  
5 the sea level has simply risen and drowns the mouth of the  
6 river. An example there might be the Coos River or the Yaquina  
7 River or the Umpqua River. And then finally we have a number  
8 of small coastal creeks that cross the Oregon dunes. And those  
9 coastal creeks just simply dribble out across the coastline.

10           And -- well, the new river estuary would be an  
11 example of one of those small coastal creeks. The South Slough  
12 Reserve is a nearly 5000-acre protected site. And it has a  
13 special designation. Its purpose is for research, education  
14 and stewardship. It's the only site that has this designation  
15 in Oregon. And it's located on one of the tidewater arms of  
16 the Coos Estuary just south of the unincorporated community of  
17 Charleston.

18           The red lines on this graphic illustrate the  
19 administrative boundaries of the reserve. You'll see a cluster  
20 of logos at the bottom, most notably of which is the Department  
21 of State Lands logo as well as the National Oceanic and  
22 Atmospheric Administration. We were created in 1974 as part of  
23 a national system. And our mission is to improve the  
24 understanding and stewardship of Pacific Northwest estuaries  
25 and coastal watersheds.

1           We grew out a piece of federal legislation; the  
2 Coastal Zone Management Act, which was passed in 1972. And at  
3 the time there was a recognition that these estuaries were  
4 important places. They were centers of activity, of human  
5 activity, but they were also centers of human commerce as well  
6 as natural processes that this human commerce depended on.

7           And so Congress passed the Coastal Zone Management  
8 Act to improve our understandings -- our understanding of how  
9 these estuaries work. So I'm proud to say that Oregon was a  
10 leader in this program. And 35 years ago the State of Oregon  
11 Legislature with Governor's approval nominated the South Slough  
12 Reserve to serve as one of these proposed sites in this soon to  
13 become national system of protected sites that are designed to  
14 provide stable places for long-term research and education to  
15 improve our understanding of estuaries and to improve our  
16 ability to make decisions about estuaries.

17           Today our system consists of 27 compatriot sites in a  
18 national system. And we get together with our colleagues and  
19 our compatriots. I would venture that short of Kachemak Bay,  
20 Alaska, which gets its shrunken statehood down in the bottom  
21 left corner here, the State of Oregon's reserve that is hosted  
22 at South Slough represents and is to provide service to one of  
23 the broadest sections of coastline in the lower 48.

24           These reserves are sited on a national framework  
25 to -- to represent the kinds of estuaries that you would find

1 in various regions of the US coastline. And the South Slough  
2 Reserve represents a region that's called the Columbian  
3 Biogeographic Province. And this framework is really designed  
4 with the notion that individual focus areas of research can  
5 provide information about a general region. And that's what  
6 our mission has been.

7           The region that we currently represent goes from the  
8 entrance to Puget Sound down to Cape Mendocino in California.  
9 We've never been short for mission. Well, the programs at  
10 South Slough that are based at this particular protected site  
11 are the -- what I call the three legs of the stool that our  
12 program sits on. They're reflective of the State statute that  
13 created the reserve. They're also reflective of the Federal  
14 Coastal Zone Management Act.

15           So not surprisingly the focus of our program is on  
16 research, on education and on stewardship. And I -- I hope to  
17 take the next few minutes to just walk you through and show you  
18 some examples of what these different program areas do and how  
19 they're set up. We're -- the employees that work at the South  
20 Slough Reserve are employees of the Department of State Lands.  
21 There are 18 employees right now, a number of whom are  
22 supported by grants from our Federal Program Sponsor at NOAA.

23           Our education program is the most longstanding  
24 program. We of course are -- are governed by a governor-  
25 appointed commission. That's a nine-member body that the

1 Governor appoints that represents a number of prospectives.  
2 And that commission has been very supportive of advancing the  
3 educational mission of the reserve.

4           So we're really trying to use our site to make sure  
5 people develop improved understanding of estuaries. We also  
6 hope to support the use of science in decisions about coastal  
7 resources. One particular part of our education program that  
8 might be of interest to you is that we're part of the national  
9 program called Coastal Training Program. And we focus,  
10 providing information resources to people whose decisions  
11 influence estuaries.

12           So we view you and other policy makers as target  
13 audiences for information. So if you do have questions about  
14 estuaries or policies that influence estuaries I really  
15 encourage you to contact Louise. And she in turn, as the chair  
16 of our management commission will -- will get to work and see  
17 if we can provide you with -- with technical information.

18           We're also quite involved in engaging the public in  
19 our work. We have an intentionally created public involvement  
20 program that engages volunteers. But it also engages community  
21 partners in jobs, training programs and others. We treat anyone  
22 who contributes to our program, whether they're paid or unpaid,  
23 that advances our programmatic objectives. We treat them as  
24 volunteers and -- and include them in our public involvement  
25 program.

1           The second leg of our three-legged stool is our  
2 research program. In contrast to education where we broker  
3 information and understanding we -- we know something about  
4 estuaries. We try to connect what's known about estuaries with  
5 people who are seeking that information. Our research program  
6 focus is really aimed at expanding knowledge, making new  
7 discoveries about how estuaries work.

8           We also have a set of goals for that program. They  
9 really talk about applying frontiers of understanding, making  
10 sure that we monitor the pulse of this particular estuary so  
11 that we can detect short-term variability and long-term change.  
12 I'm sure you're hearing discussions of climate change. We know  
13 that climate change is going to play out on the coast.

14           We're trying to create a platform that's got a stable  
15 long-term understanding of how this system has been responding  
16 over -- over time and hope to tweeze out that climate change  
17 signal for you to advise you on your policy decisions. Just an  
18 example of what we've been doing with our monitoring program,  
19 here a view of the south end of Coos Bay, the white line  
20 depicting our administrative boundaries, but showing you how  
21 we've begun to wire this inlet for sound and really take the  
22 pulse of that system.

23           We're -- we're doing this on a site-based basis but  
24 we're also part of a national network that all other 27  
25 reserves are collecting similar information so that federal

1 policy makers can also begin to see what some of these long-  
2 term signals are on a national scale. We know that the  
3 transition happens; it's not a simple transition. And so our  
4 monitoring program is really set up to say what are the river  
5 inputs; what's happening in the mixing zone and what's  
6 happening with the ocean inputs.

7           Because you, I trust, may be aware of some of the  
8 changes that we're experiencing in the ocean off of Oregon with  
9 ocean citification and dead zones. Our monitoring program is  
10 really looking at how that ocean signal propagates up into our  
11 bays and estuaries. Just a few images here that show you some  
12 of the programs that we're involved in.

13           We are benefiting from our partnership with NOAH  
14 because NOAH is taking the lead for monitoring climate change.  
15 We're also very excited to hear that Professor Jane Ochinco  
16 (Phonetic) has been employed to serve as the chair of the  
17 National Oceanic and Atmospheric Administration. But one of  
18 the things that we've benefited from is that NOAH is now  
19 beginning to use our site as a place for placing some of their  
20 monitoring equipment.

21           So we've got an official North American climate-  
22 monitoring station placed down at South Slough. The final and  
23 third leg of our program is our stewardship program. We're  
24 really taking advantage of the fact that we are a place-based  
25 program; 5000 acres of public lands dedicated to long-term

1 research and education.

2           We've really focused our program activities and  
3 stewardship on looking after this place. Our management  
4 commission has really encouraged us and supported our work to  
5 restore and create new understanding of how you go about  
6 restoring estuarine habitats. Our estuaries are highly  
7 modified in Oregon. Many of the situations we've lost over 90  
8 percent of the wetlands historically through time.

9           So what we're working as using the reserve as a  
10 laboratory to try out some things. Restoration science is not  
11 a -- is not a mature discipline. And we're using the reserve  
12 as an experimental site to try out some new forms of  
13 restoration. A couple of highlights that we've really focused  
14 on have been up to this point on restoring wetlands and looking  
15 at how salmon use estuaries, which is something that was a  
16 missing piece of information. And we've learned a great deal  
17 there.

18           But I thought in light of some of our recent  
19 activities that I would profile just this one project that's a  
20 new focus for us, but something we've been working on for five  
21 or six years now. It's the subject of a couple of research  
22 proposals that we've just submitted. We're engaging in a  
23 significant effort to try and re-establish self-sustaining  
24 populations of native oysters back into the Coos Estuary.

25           These were at one time very -- a very conspicuous

1 part of the coastal environment; oysters being those --  
2 estuaries being the only place in Oregon where oysters grow,  
3 and oysters being a very important culturally significant  
4 species for us. There's two types of oysters in Oregon. The  
5 Pacific oysters on the right of your screen are the  
6 commercially grown oysters. They were introduced here, not  
7 native to this area.

8           They're native to Asia and Japan. And they've been  
9 grown since about 1910 to the present. They're an important  
10 part of a commercial industry in our state. But historically we  
11 have another species of oyster, this native oyster, the one  
12 that's shown on the left. And they were -- they were extirpated  
13 very early in the turn of the last century, around the early  
14 1800s.

15           It's not clear why but they haven't really recovered.  
16 They were reintroduced by commercial producers, brought from  
17 other estuaries where they still occurred; brought down from  
18 the Puget Sound area and placed back into Coos Bay. So they're  
19 there in a residual basis but they've never really recovered to  
20 their historic levels. So since 2007 we've been trying to  
21 figure out the technology of restoring native oysters.

22           It's a subtle craft to do this. And we've been using  
23 the reserve as a place to do our research and development on  
24 what methods would you use to do that restoration work. So  
25 we've been setting up these mini reefs and setting out little

1 shell barracks (phonetic) to see how larvae settle because  
2 there's a number of reasons that may contribute to why native  
3 oysters haven't really recovered on their own.

4           There may not be enough shells sitting on the ground  
5 for the little larvae to settle out on. The larvae may die.  
6 The -- the baby oysters may get grown over with other stuff.  
7 Native or non-native species, because our estuaries now are  
8 very rich with non-native organisms that didn't occur back when  
9 native oysters were there.

10           So we're doing science studies to see if we can  
11 tweeze out what are those factors that might be limiting the  
12 recovery. We also know that oysters don't grow everywhere so  
13 we're trying to be -- we're trying to anticipate where we  
14 should focus our efforts. We've just submitted one significant  
15 proposal, at least significant for us, to the Economic Recovery  
16 Program. And we're hoping that we get some NOAH restoration  
17 funds to help finance a scale-up effort where we'd like to see  
18 if we can take roughly 15 acres of -- of tide flats in the Coos  
19 Estuary and reestablish some viable populations there.

20           So we know that native oysters are found in that  
21 transition zone in the bay where it's not really ocean, it's  
22 not really river, which is their sweet spot. We know they like  
23 them there because we've looked at cultural -- culture remains,  
24 shell mittens (phonetic) from -- from historic uses of oysters.  
25 And we know they like that sweet spot.

1           So that's just one example. It's a work in progress.  
2 We're pretty excited about it. Once we learn things about how  
3 to do this restoration work, then we can shift that over to our  
4 coastal training and our education programs and support the  
5 work of other organizations like yes, Fish and Wildlife who's  
6 restoring habitats and other -- other practitioners like the  
7 Tillamook Bay Estuary Partnership as well.

8           So we try -- everything we do there we try to make  
9 sure it's connected to some form of community need. I would  
10 love to have you down. We have a place to host a meeting. I'd  
11 like to get you on the water if that's at all possible. I've  
12 been making this promise to the Governor for too long. I hope  
13 to make good on that. I'd like to make good on that promise.

14           **GOVERNOR KULONGOSKI:** I like it on the coast. It's a  
15 great place to canoe.

16           **MR. GRAYBILL:** To get the -- to get all of you out on  
17 the water if you'd like, we've got a beautiful place. It's  
18 something we're very proud of. I'm sure if we got to show it  
19 to you, you would be proud of it as well. The Governor  
20 actually has been down for meetings there. But I'd be very  
21 interested in getting the others down to have a look. And this  
22 being our 35th anniversary we're hoping to create an  
23 opportunity that would do just that. So stand by for an  
24 invitation perhaps for a midsummer paddle (phonetic). Thank  
25 you very much.

1           **GOVERNOR KULONGOSKI:** Thank you. You know that a  
2 couple points; one, I want to right away acknowledge the effort  
3 that you and your staff have made down there. This has been --  
4 the last ten -- well, the '90s were a tough time for you. And  
5 you stayed the course. I want to thank Representative Arnie  
6 Roblan, particularly because Arnie is one of these individuals  
7 who not only sees it for the values that you've all described  
8 around education and research and land stewardship, but Arnie  
9 actually sees this as an economic tool for that particular  
10 region.

11           And he's got a vision of how an investment in the  
12 estuary is an investment in the Coos Bay community, and  
13 economically. And I think he is absolutely correct about that.  
14 And so I just wanted to tell you that I think Arnie is a  
15 tremendous asset to you in doing this. I have a question. And  
16 I know years ago they did this, and I don't know if we do it  
17 anymore. Are any of the hatcheries, public, private, putting  
18 hatchery fish into the estuary there at this time?

19           **MR. GRAYBILL:** Governor, the historic private  
20 hatchery on -- on -- you're speaking of the Coos Estuary?

21           **GOVERNOR KULONGOSKI:** Yes.

22           **MR. GRAYBILL:** There was a very large-scale  
23 commercial salmon ranching operation that was developed by  
24 Weyerhaeuser Corporation and then operated by BP. That  
25 operation ceased production when the Department of Fish and

1 Wildlife or the Fish and Wildlife Commission adopted the Wild  
2 Fish Management Policy. And so there is not presently any  
3 commercial hatchery operations -- commercial scale hatchery  
4 operations operating.

5           That was a site that was located on the north spit.  
6 The facility is still there. And there's -- there's some  
7 discussion that the Northwest Steelheaders would operate that  
8 but it's -- I don't believe that it's operating right now.  
9 There are a number of salmon entrap -- enhancement, smaller  
10 scale hatchery operations that are run through the Salmon  
11 Enhancement Program that are working further up in the  
12 watershed, but nothing near the scale that had operated at the  
13 time of those commercial salmon ranching operations.

14           **GOVERNOR KULONGOSKI:** One of my -- since I was here  
15 in '74 when this was all created, I remember one of the most  
16 interesting sights I've ever observed is that when Weyerhaeuser  
17 first started that operation. And we didn't know a great deal  
18 about what the implications of all this were. And so I  
19 remember going over there the first time, and they actually  
20 brought the trucks in from Springfield.

21           **MR. GRAYBILL:** Correct.

22           **GOVERNOR KULONGOSKI:** And put them in the bay, and  
23 the fish had actually -- the spokes (phonetic) had all grown up  
24 around -- going around in a circle. And they just put them in  
25 and all of a sudden I've never seen so many seagulls in all my

1 life because every seagull from -- must have been up by Seattle  
2 down to San Francisco knew that these fish were out there  
3 swimming in a circle and chumming the water.

4           And it was just remarkable to me that how someone  
5 never thought that this is one of the consequences of doing  
6 this. And so they've changed at least after that how they did  
7 this. But I always remember that because it was just  
8 remarkable because the fish were doing exactly what they had  
9 been trained to do.

10           **MR. GRAYBILL:** Trained them. Governor, if I may,  
11 that's an interesting example of what the -- the long-term  
12 value of setting a site up like the South Slough Reserve may  
13 be. At the time that business proposal was developed was a time  
14 before we realized that the ocean, in addition to the economy,  
15 goes through these decadal cycles.

16           And it just so happened that when that commercial  
17 aquiculture operation was instituted scientists can now look in  
18 retrospect and recognize that the capacity of the ocean to  
19 support an abundance of juvenile salmon was on a downturn  
20 cycle. And just by pure happenstance if that proposal may have  
21 happened on one of those decadal upswing cycles, the outcome of  
22 that venture may have been interpreted very differently.

23           That's that cycle that -- that's known as the Pacific  
24 decadal oscillation. And it's -- the ocean now is recognized  
25 as swinging back and forth from periods of productivity that

1 could support successful returns of salmon to times where it's  
2 not as productive for salmon or other fish species.

3           **GOVERNOR KULONGOSKI:** Thank you very much.

4           **MR. GRAYBILL:** Thank you.

5           **GOVERNOR KULONGOSKI:** Thank you, Mike.

6           **SECRETARY BROWN:** Governor, quick question.

7           **GOVERNOR KULONGOSKI:** Kate, oh, I'm sorry; go right  
8 ahead.

9           **SECRETARY BROWN:** Thanks. For those of us who are  
10 consumers of oysters how can we support native oyster  
11 restoration?

12           **MR. GRAYBILL:** Well, goodness, just off the cuff,  
13 there are. Some growers have considered this native oysters.  
14 They -- there's some growers growing what's known as the  
15 Cumomoto oyster. That is a Japanese species but it's a small  
16 delicate oyster.

17           **SECRETARY BROWN:** Uh-huh (affirmative).

18           **MR. GRAYBILL:** I guess the best way a consumer could  
19 do is ask where the oysters were produced and what types of  
20 oysters there are. In some of the -- in these more upscale  
21 oyster marketplaces or in the restaurant business certainly,  
22 and some of the seafood trade there's a very much heightened  
23 awareness of country of origin or the type of fishery.

24           And there's a movement right now in all seafood  
25 toward knowing more about the origin of it. So you could

1 express your preference for native oysters. Those native  
2 oysters would likely come then in response to your consumer  
3 preference; would come from the native oyster populations that  
4 are being managed in the Puget Sound area.

5 **SECRETARY BROWN:** Uh-huh (affirmative).

6 **MR. GRAYBILL:** Now, I'm not sure Oregon producers  
7 right now are quite positioned to provide a marketplace because  
8 their marketplace; they grow a larger oyster and there's a  
9 marketplace that prefers those larger oysters. I expect in  
10 time we'll see the diversification of production in Oregon  
11 that -- to include native oysters as well as the Pacific  
12 oyster.

13 **SECRETARY BROWN:** Thank you.

14 **GOVERNOR KULONGOSKI:** Thank you very, very much,  
15 Mike.

16 **MS. SOLLIDAY:** Thanks, Mike.

17 **GOVERNOR KULONGOSKI:** Thank you.

18 **MR. GRAYBILL:** Thanks.

19 **MS. SOLLIDAY:** And then just two other things I want  
20 to report on; I just want to let the Board know that the  
21 Department has adopted new rules regarding our removal/fill  
22 program. These are rules that don't come to the Land Board.  
23 They are rules that the Department does independent of the Land  
24 Board. We had amendments to three divisions.

25 The major amendments were to our Division 89 rules,

1 which are our major removal/fill rules. We spent quite a bit  
2 of time at the front end of this rulemaking doing outreach to  
3 our wetlands consultants, to the Farm Bureau, to our customers  
4 in working with us on drafting a new set of draft rules. The  
5 rules were completely reorganized, completely rewritten.

6 We reduced the number of pages of rules. We  
7 eliminated a lot of the prescriptive language and went more to  
8 an outcomes based approach to having people comply with the --  
9 the removal/fill statutes. We reduced our number of  
10 definitions, I think, in half. When I first got to the agency  
11 I came down here temporarily as the assistant director for  
12 Wetlands and Waterways. And one of the first things I did was  
13 sit down and read the statutes and the rules.

14 And after reading the rules, my mind was just quite  
15 boggled. They were not well organized. They were very  
16 complicated to understand. And so we took this opportunity  
17 this past year and I think Eric Metz is still here. Eric was  
18 the lead on this project. And I want to thank him. This was an  
19 incredible project to get these rules rewritten.

20 He spent quite a bit of time doing outreach to a  
21 number of our customers, getting their input. And I think the  
22 fact that we had very little controversy on the rules when we  
23 actually went out to the formal rulemaking speaks to the  
24 benefit of doing that kind of outreach before you actually get  
25 to the formal rulemaking process.

1           We'll watch to see how well these rules work out in  
2 the field. We are also developing a removal/fill guide so that  
3 it's sort of a step-by-step how-to guide for our customers and  
4 our consultants so that hopefully it is easier for them to get  
5 through of our -- our process. We also were very cognizant of  
6 using plain language in our rules so that anyone who picks them  
7 up can understand what is intended by the language that's in  
8 those rules.

9           So I just wanted the Board to be aware of that. I  
10 think probably none of you got phone calls from people who were  
11 irate about these rules. And I think that speaks volumes to  
12 the staff work that went into doing these. And so I just -- I  
13 want to thank Eric and all of the staff in the removal/fill  
14 program, Kevin and all the staff who worked on those because it  
15 was a large project, and I think very successful to date.

16           So just wanted to provide you with information on  
17 that. And I'll -- if there are questions on that I'll take  
18 questions. Otherwise, I'll just run into the legislative  
19 report. So legislative report; just a couple of things. Our  
20 agency bills I think four of the six that we originally started  
21 with will work their way through work sessions this weekend  
22 next before the deadline for having bills still be alive  
23 passes.

24           The two that aren't going forward, the unclaimed  
25 property transfer, which the Treasurer and the Department

1 agreed probably was not a good time to be pursuing that. And  
2 so we have not pursued that particular bill. And the one that  
3 sort of has me scratching my head is we had a cleanup bill for  
4 our rulemaking statutes. And it got assigned to the Education  
5 General Government Committee. And they just have so many bills  
6 they're not going to get to it.

7           So one that's a relatively easy housekeeping bill is  
8 not going to happen this session. We'll bring it back next  
9 session. It's -- there's no substantive changes. It's really  
10 just a cleanup of our statutes related to rulemaking. And we'll  
11 bring it back in the 2011 session.

12           The removal/fill bills, both of them I expect we'll  
13 see work sessions scheduled over the next couple of weeks. Our  
14 civil penalty bill is scheduled for a work session on Thursday.  
15 And we have an estates bill dealing with how we handle  
16 information during the probate period. And we've done an  
17 amendment to that bill. And we know that we have the votes on  
18 the committee and are just waiting to see that scheduled for a  
19 work session, and are expecting that to get scheduled also here  
20 within the next couple weeks.

21           And then other bills that we've been tracking; there  
22 are a couple related to liquefied natural gas facilities in  
23 particular. One is House Bill 2015, which has a hearing on  
24 Thursday. This is a bill that as introduced would have  
25 required the Department of Energy to do a needs analysis before

1 we could issue a permit.

2           As I understand it, we're going to be taken out of  
3 the bill. And that bill is now going to focus on the 401  
4 certification that the Department of Environmental Quality  
5 does, and Department of Energy working with DEQ on that needs  
6 analysis and making sure that there are appropriate criteria in  
7 terms of reviewing the 401 certification for those.

8           And then another one that's not just on L and G but  
9 deals with our definition of applicant in removal/fill  
10 statutes. And that's House Bill 3058. It had a hearing last  
11 week. This is a bill that deals with linear projects. Our  
12 current statutes define applicant as a landowner or someone who  
13 has the permission of a landowner.

14           It doesn't work well for these linear projects where  
15 ODOT or the cities or counties are doing road projects or you  
16 have utility corridor projects. And so there is an amendment  
17 to that bill that would allow in the case of utility and  
18 transportation corridors for those applicants to come in --  
19 applications to come in before they actually own the land so  
20 that we can get processing those permits.

21           And we would condition the permits on no work  
22 occurring on those lands until they were the owner of the land  
23 through negotiations or through condemnation or had the  
24 permission of those landowners. And I expect that that bill is  
25 probably going to move out of the House Sustainability

1 Committee here in the next couple weeks.

2           We talked earlier about the historical-filled lands,  
3 which is House Bill 30 -- 2573, which is up for a hearing this  
4 afternoon. And as I indicated, there is an amendment that's  
5 been drafted that we have concerns with and we'll try and work  
6 with the proponents of that bill to get it to a place where we  
7 can support it.

8           On unclaimed property on Friday House Bill 2911  
9 passed out of committee. That's the bill that would have the  
10 proceeds from storage units facilities come to the Department  
11 as unclaimed property after the owner of the storage units had  
12 recovered their cost. Anything remaining from the sale of  
13 abandoned storage units would then come to the Department as  
14 unclaimed property for the previous renter of those storage  
15 units.

16           On oceans there are a couple of bills. One is House  
17 Bill 2098, which would fund seafloor mapping off the coast of  
18 Oregon. It's identical to what's in the Governor's recommended  
19 in our budget. And that bill is sitting in Ways and Means; will  
20 be discussed I assume as part of our budget. We also have  
21 House Bill 3015, which would've changed the composition of  
22 OPAC.

23           And I think there's going to be a gut and stuff of  
24 that bill to support the funding recommendations that are made  
25 in the Governor's recommended budget using the New Clarissa

1 funds and also supporting the recommendation of the -- that it  
2 came out of OPAC for marine reserves. And then House Bill  
3 3106, which is a near-shore research bill. There's been a  
4 public hearing held on that. I think there's some amendments  
5 that are going on for that bill -- with that bill. But I  
6 expect that that's going to go.

7           There's a wave energy bill, which is Senate Bill 195.  
8 This is a bill that would provide a waiver from the no harm to  
9 fish rule that the Water Resources Department has so that we  
10 can get the technology and the water and actually test it so it  
11 would allow pilot projects to occur connected to the grid so we  
12 can actually see what the impacts are on fisheries and other  
13 resources out there.

14           The -- the bill that would codify the Attorney  
15 General's opinion with regard to the public's rights to use the  
16 waterway, which is Senate Bill 844. It appears as though we're  
17 just not going to get there this session. Senator Bates, who  
18 introduced that bill, has been fully immersed in the  
19 discussions about health care reform and just hasn't had time  
20 to spend on Senate Bill 844.

21           The bill is in the Senate Environment Committee. But  
22 I -- in talking to the Chair of that committee, it appears as  
23 though we're just not going to have the time to have that  
24 discussion this session. There are a number of bills  
25 introduced that deal with the Elliott. None of them have been

1 scheduled for public hearing or work session. I'm not  
2 expecting that to happen. But anything can happen between now  
3 and Friday, so we'll see.

4           But at the moment none of them have been heard or  
5 have been scheduled for hearings. The Natural Heritage  
6 Advisory Council had a small bill to change the name of the  
7 plan and also to allow the council staff to -- in the Heritage  
8 database to be at PSU instead of OSU. And that's House Bill  
9 3063. And that's actually waiting for a House floor vote at  
10 this point.

11           And then the cap and trade bill we're taking a look.  
12 We're -- there's a full set of amendments that we're not sure  
13 where they came from. But the amendments would have each of  
14 the executive branches -- executive departments developing a  
15 plan for how to reduce their energy, their emissions. And so  
16 there's some fiscal impacts to all of the agencies to do that.  
17 But we're -- so we're tracking that bill and we'll see where  
18 that ends up.

19           And then the last one we're paying some attention to  
20 is the ecosystem marketplace bill that is -- doesn't require  
21 anybody to do anything but establishes a policy of creating an  
22 ecosystem marketplace in Oregon, and encourages agencies to  
23 participate in that ecosystem marketplace. And we've been  
24 tracking it because we are both a buyer and seller in the  
25 ecosystem marketplace and have been through our -- our

1 mitigation program and our wetland mitigation banking program,  
2 so have a lot of interest in that concept and -- and that bill.

3           And with that I'd be -- we're tracking a lot of other  
4 bills that are not very good for the agency. But at the moment  
5 it doesn't appear as though any of those are not going to get  
6 scheduled. And so I won't spend more time talking about those.  
7 With that, I have no other business. I'm happy to answer any  
8 questions.

9           **GOVERNOR KULONGOSKI:** Just before we close I want you  
10 to know the new chairman, Burke just last week said -- who  
11 happened to have voted against the Bradwood Landing  
12 (Phonetic) --

13           **MS. SOLLIDAY:** Yes.

14           **GOVERNOR KULONGOSKI:** --proposal as said that he  
15 thinks that there is a needs assessment required before they  
16 issue any type of a license.

17           **MS. SOLLIDAY:** It's what the federal rule says.

18           **GOVERNOR KULONGOSKI:** But we'll see where it goes.

19 Thank you.

20           **MS. SOLLIDAY:** Thank you.

21           **GOVERNOR KULONGOSKI:** Anything else? We're  
22 adjourned.

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CERTIFICATE

I, Jayne Rosamond, hereby certify that I am an electronic transcriptionist for Business Support Services of Salem, Inc., that as such electronic transcriptionist I prepared from an electronic recording provided by Business Support Services, Inc., the foregoing typewritten transcript of the meeting had upon the matter at the time and place set forth in the caption hereof; and that the foregoing pages, which are numbered 1 through 63, both inclusive, are the true, accurate and complete transcript of the proceedings adduced had upon the said meeting.

WITNESS my hand as electronic transcriptionist this 20th day of April 2009.

\_\_\_\_\_  
Jayne Rosamond, Transcriptionist

jr/jr