



THE COMMON SCHOOL  
FOREST LANDS  
**Annual Report**

FISCAL YEAR 2009



Prepared for the  
Department of State Lands  
by the  
Oregon Department of Forestry



The Common School  
Forest Lands  
**Annual Report**

FISCAL YEAR 2009



DATE: October 13, 2009

TO: Governor Ted Kulongoski  
Secretary of State Kate Brown  
State Treasurer Ben Westlund

FROM: Marvin D. Brown, State Forester

SUBJECT: Fiscal Year 2009 Report on the Status of Common School Forest Land Management

The Oregon Department of Forestry (ODF) manages the Common School Forest Lands (CSFL) under a 2005 agreement with the State Land Board (SLB) and the Department of State Lands (DSL). As trustee for the CSFL, the primary obligation of the SLB is to manage lands with the object of obtaining the greatest benefit for the people of this state, consistent with the conservation of this resource under sound techniques of land management. The Department of State Lands Asset Management Plan (AMP) calls for these lands to be managed to provide a sustained, even flow of timber harvest.

ODF actively manages these lands for sustainable timber harvest and resource protection by implementing goal-driven strategies contained in broad forest management plans approved by both the Board of Forestry (BOF) and the SLB. Revenues generated from CSFL are dedicated to the state's Common School Fund (CSF).

The agreement between ODF, DSL and the SLB requires ODF to report annually in writing the status of CSFL management. The status report includes information about timber management (volume and value of harvested, sold and planned timber sales), actual fiscal year operating costs, revenue transferred to the CSF, reforestation and intensive management accomplishments and costs, research and monitoring results, contract modifications, and any other information affecting the management of CSFL.

During fiscal year 2009 the national economy continued in recession and timber prices continued to decline. This underlying national situation significantly affects the forest management activities on CSFL.

The harvest volume removed during 2009 totals 29.3 million board feet (MMBF). This is in line with an average of the last five years of management under the existing forest management plan. During 2009, the following issues were encountered:

- Declining market prices (log prices, timing and trends in harvest) due to the national economy. On the CSFL, average stumpage prices for new sales declined from \$421 per thousand board feet (mbf) in FY 2008 to \$232 per mbf in FY 2009, representing a 45 percent drop.
- Under the current 1995 Elliott State Forest management plan, approximately one-half of the ESF is constrained by long rotation basins during the first three decades.
- Managing the risks associated with ongoing surveys of threatened and endangered species resulted in limiting the extent of the landbase available. Additional marbled murrelet management areas are created each year and continue to reduce the area in which sales can be planned, thus often reducing overall volume.
- Some of the recent timber sales have been in younger stands (thus yielding less volume per acre).

These issues are ongoing challenges as ODF manages these lands to meet the objectives of both the ODF/SLB/DSL agreement and the AMP.

The approval of the new Elliott State Forest (ESF) management plan and the Habitat Conservation Plan currently under development for the ESF would alleviate some of these issues. As of this writing, the National Marine Fisheries Service (NMFS) and Oregon Department of Forestry have differences of opinion on the effects of the proposed landscape strategies in the Forest Management Plan. ODF is working with the federal services and the DSL to determine the best path forward. All options are being considered.

Highlights from Fiscal Year (FY) 2009 include the following:

1. 29.3 MMBF of timber volume was removed from CSFL, of which 18.7 MMBF came from the ESF. This is a 6.3 MMBF (27 percent) increase from FY 2008.
2. \$13.6 million was transferred to the Common School Fund. This is an increase of \$3.7 million from FY 2008. This increase is primarily due to the increased volume removed in 2009. The past five-year average was \$12.9 million. Of this \$13.6 million, the ESF produced \$9.1 million, or 67 percent, of the total.
4. Net Operating Income (NOI) for FY 2009, calculated as total revenue transfers to the Common School Fund less management costs, was \$8.7 million. This is an increase of \$3.7 million from FY 2008 (an increase of 74 percent). NOI has ranged from a low of \$4.4 million in 2006 to a high of over \$20 million in 2000 and is influenced by the same factors that affect volume and value, as well as management costs. Management costs in FY 2009 totaled \$4.9 million. This is a slight increase in costs of \$18,000 from FY 2008.
5. Eight timber sales containing CSFL were sold in FY 2009, for a total estimated volume of 12.2 MMBF and an estimated value of \$2.8 million. One additional sale was offered in FY 2009 but had no bidders. It subsequently sold in FY 2010. Timber sale preparation has been completed on the remainder of the FY 2009 sale plan and these sales will be offered in FY 2010. For comparison, in FY 2008, 18 sales sold with a total volume of 31.9 million board feet and an estimated value of \$13.4 million. The 2008 volume and value included sales prepared in FY 2007 that, for market reasons, did not sell until FY 2008.
6. Seventeen planned timber sales for FY 2010 total 46.4 MMBF, of which 39.7 MMBF will come from the ESF.
7. During FY 09, the Secretary of State (SOS) Audit of the ODF's implementation of the DSL/ODF Management Agreement was completed. This led to a \$333,785 reduction in administrative prorate charges for FY 2009; a \$285,742 credit for FY 2008; a \$968,669 credit for FY 2002-07; and a \$753,808 credit for the change of acreage prorate percentage for fiscal years 1997-2006.
8. During the 2009-11 biennial budget process, the Department of Forestry once again requested a policy option package to correctly allocate administrative costs between agency programs. Again this adjustment was not approved by the legislature. However, funds from Board of Forestry managed lands were directed to be used to cover administrative costs above the Common School Fund's prorated share, resulting in the Common School Fund funding the appropriate share of agency administration.

9. Other specific management activities on the Elliott State Forest for FY 2008 included:

Completion of the 2008 Marbled Murrelet Protocol Surveys. In the survey season, 713 surveys were completed at 454 stations, representing 79 survey sites on the Elliott State Forest. Four new Marbled Murrelet Management Areas (MMMA) were designated totaling 120 acres. Five existing MMMA had acreage added totaling 226 acres.

Oregon Plan for Salmon and Watershed. Additional trees were retained along buffers on eight timber sales, two of which included large wood placement into coho streams to improve habitat. The Coos District cooperated with the Coos Watershed Association to complete one large in-stream wood placement project in Elk Creek, and replaced three culverts on streams to improve adult and juvenile fish passage. The district cooperated with Oregon Fish and Wildlife to complete another in-stream wood placement project in Footlog Creek.

10. Intensive management practices – Management practices were applied to 7,854 acres of CSFL during FY 2009. These practices included tree planting, tree protection, vegetation control, noxious weed management and pre-commercial thinning. The total cost for these intensive management practices in FY 2009 was \$240,393.

Following is the Report to the Department of State Lands and State Land Board on the Status of Common School Forest Land Management – July 1, 2008 through June 30, 2009.

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# Introduction

The Oregon Department of Forestry (ODF) manages the Common School Forest Lands (CSFL) under the 2005 CSFL Management Agreement with the State Land Board (SLB) and the Department of State Lands (DSL). CSFL are trust lands that were granted by the United States to the State of Oregon upon admission to the union to finance public schools.

**The Oregon Constitution**, Article VIII, Section 5 (2); outlines the State Land Board's powers and duties for managing CSFL as, "The board shall manage lands under its jurisdiction with the object of obtaining the greatest benefit for the people of this state, consistent with the conservation of this resource under sound techniques of land management." Revenues from these lands are dedicated to the State's Common School Fund (CSF).

The **DSL's Asset Management Plan (AMP)** (adopted October 2006) provides the strategic direction for CSFL. The primary strategy for forest land in the AMP is to "Manage forest lands to increase timber harvest levels to the extent possible, while maintaining a sustainable, even-flow harvest of timber, subject to economic, environmental and regulatory considerations." ODF staff coordinates with DSL on an ongoing basis to assure alignment with the AMP.

**The CSFL Management Agreement (June 2005)** outlines the primary objectives for management as:

1. Maximizing the return to the Common School Fund when forest lands are sold or exchanged, timber is harvested and sold, or from any sale of product or services from CSFL;
2. Managing the CSFL primarily to produce a sustainable, even-flow harvest of timber subject to economic, environmental, and regulatory considerations in accordance with specific forest management plans;
3. Maintaining forest management costs at a level comparable to similar lands managed by public and private entities; and
4. Investing in improvements to CSFL (e.g. timber stand inventory and environmental inventory, long-range planning, road construction to improve access, pruning, fertilizing, pre-commercial thinning) when it is justified through investment and return analysis.

The ODF manages a total of 123,225 acres of CSFL (Appendix A) under the agreement with the SLB and the DSL. These lands are located in several state forests throughout western Oregon and in Klamath County, with the largest block being on the Elliott State Forest in Coos and Douglas counties. This report highlights key management activities and issues during the fiscal year. Other information in this report discusses volume and estimated value of active and planned timber sales, reforestation and intensive management accomplishments and costs, estimated and actual fiscal year operating costs, sold sale revenues, contract modifications, timber sale planning, and other information affecting the management of CSFL.

# Section I. Common School Fund Lands

## Financial and Asset Management

### Overview

This report is intended to focus on Fiscal Year (FY) 2009 (July 1, 2008 to June 30, 2009). However, in the business of forest management, particularly with the ESF, it is important to look at the trend in revenues and costs over the past few biennia (e.g., sales approved in one year's operating plan may be harvested over one to three subsequent years). Revenue transferred to the Common School Fund (CSF) from management of CSFL has varied over the past 10 years from \$24.4 million to \$8.5 million on an annual basis.

The primary factors influencing revenue and revenue fluctuations include: housing starts, lumber prices and harvest timing as a result of market conditions, individual sale volumes and value, changing ratios between harvests on CSFL and Board of Forestry lands (BOFL), and uncertainty from marbled murrelet detections.

State Land Board Performance Measures.

#### Return on Asset Value (ROAV)

ODF has not calculated a ROAV for CSFL for FY 2009. The systems to accurately report this for CSFL are still under development.

#### Net Operating Income (NOI)

Net operating income for CSFL for 2009 was \$8.7 million. This is an increase from \$5.0 million in 2008 and \$7.2 million in 2007, and reflects higher harvests than 2008 and lower costs than 2007.

#### Annual Revenue

Annual revenue is reported in Table 1 and many sections of this report address the underlying factors that influence this indicator of financial performance.

#### Land Value Appreciation (LVA)

ODF has not calculated LVA for FY 2009.

Harvest levels are the single biggest factor influenced by management decisions. In turn, volume sold for harvest directly impacts revenue and NOI

The 1995 ESF Forest Management Plan and accompanying ESF Habitat Conservation Plan (HCP) provided an Incidental Take Permit (ITP) for northern spotted owls and marbled murrelets, both listed species under the Endangered Species Act (ESA). The HCP gave certainty around harvest levels, though the harvest levels are comparatively low in relationship to total growth and what other non-public land managers chose to do on similar forest land. The 1995 HCP eliminated the need for annual owl and murrelet surveys of proposed sale areas, thus reducing costs and providing more certainty. The murrelet ITP expired in 2001 and surveys for murrelets (a take avoidance strategy) were resumed in 1998.

In order to improve annual revenue and NOI, a new forest management plan was completed in draft in September of 2005. An accompanying multi-species draft HCP was completed in FY 2007. These new plans reflect an increase in volume and revenue from the ESF, while protecting murrelets,

spotted owls, coho salmon and other native fish and wildlife species pursuant to the ESA. In FY 2009 the draft EIS and HCP went out for public review between August 22 and November 20, 2008. A significant number of comments were received primarily from nongovernmental organizations. Comments were also submitted by public agencies, the timber industry and private individuals.

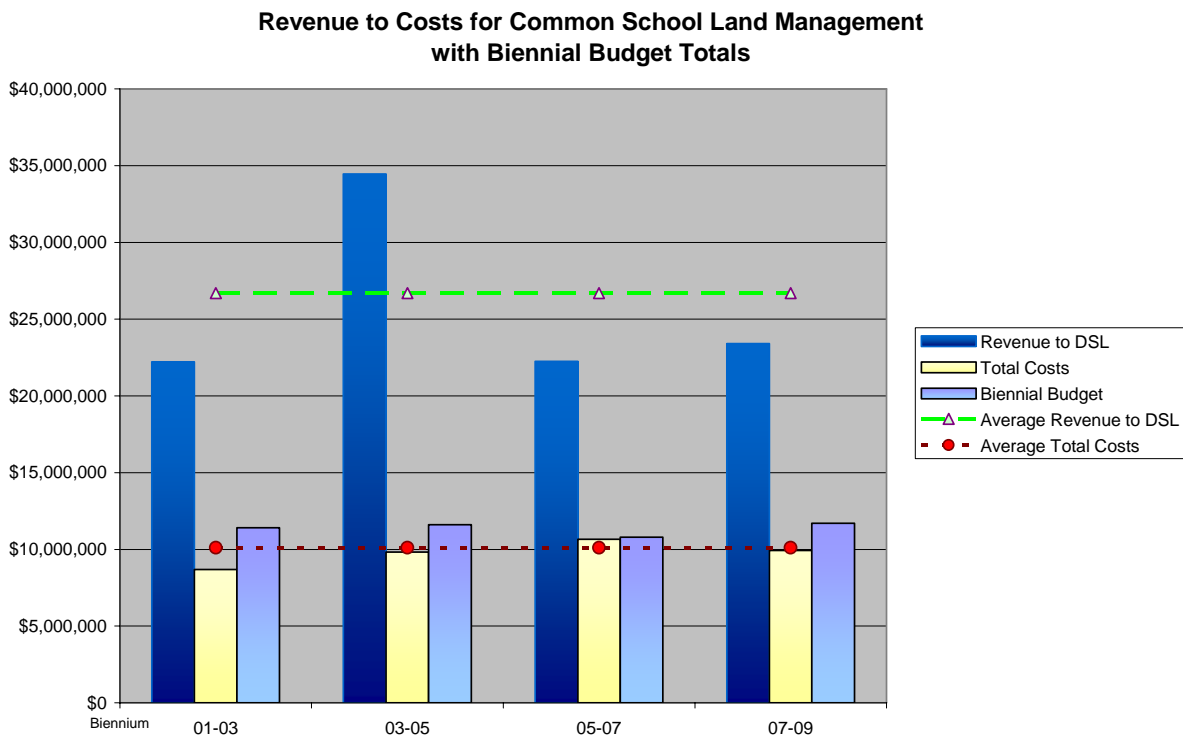
In early 2009, negotiations on the final HCP strategies resumed with the federal services in light of the public comments. Discussions with the federal services, ODF and DSL are ongoing and it is uncertain if the new draft forest management plan and multispecies habitat conservation plan will be implemented.

## Biennial Context

For the past four biennia (2001-03 to 2007-09), the average revenue transferred to the DSL has been about \$25.6 million per biennium (Figure 1). During the same four biennia, the average costs have been \$9.8 million per biennium. This results in a net operating income of about \$7.9 million per year for the last 8 years. During the 2007-09 biennium, the total revenue transfer was \$23.4 million. The total costs for the biennium were \$9.7 million, resulting in a net operating income of \$8.7 million in FY 2009 and \$5.0 million in FY 2008.

The July 2009 revenue projection indicates a further decline for the 2009-2011 biennium to \$20.8 million, then a rebound to \$38.2 million plus in the 2011-2013 biennium and beyond. It is important to point out that these forecasts assume the Elliott State Forest FMP and HCP planning process will lead to an Incidental Take Permit in time for the 2011 sale plan year. These planning tools would provide an increased harvest level. It is also important to point out that a portion of the increased volume will come from timber sales that target younger stands for first-entry thinnings. Sales of this nature typically result in a lower stumpage value due to higher logging costs and lower quality wood.

**Figure 1. Biennial Revenue to Costs**



## FY 2009 Revenue

During FY 2009, \$13,569,087 in revenue was transferred to DSL. This is slightly above the five-year average of \$12.9 million and slightly below the 10-year average of \$14.3 million. Details of the specific sales that produced the revenue for FY 2009 and market conditions follow in the report.

**Table 1. Revenue and Costs from Common School Forest Lands  
Fiscal Years 2000 through 2009**

<i>Actual Revenue Transfer to DSL</i>		<i>Fund 52 Expenditures</i>					<i><sup>4</sup>Transfers Out</i>	<i>Total Costs</i>
<i>Fiscal Year</i>	<i>Timber Sales &amp; Forest Product Sales Revenue<sup>1</sup></i>	<i>Personal Services</i>	<i>Services &amp; Supplies</i>	<i>Capital Outlay</i>	<i>Special Payments Other Expendi- tures</i>	<i>Total Expendi- tures</i>	<i>Admin Prorate, Capital Improvement, COPs, Seed Orchard, etc.</i>	<i>Fund 52 Expendi- tures and Revenue Transfers</i>
<b>Elliott State Forest<sup>3</sup> 2009</b>	\$9,131,806	\$1,298,401	\$833,825	\$19,081	\$0	\$2,151,307	\$559,102	\$2,710,409
<b>Other Sources<sup>3</sup> 2009</b>	\$4,437,281	\$1,123,759	\$840,274	\$0	\$0	\$1,964,033	\$217,429	\$2,181,462
<b>09 Totals</b>	<b>13,569,087</b>	<b>\$2,422,160</b>	<b>\$1,674,099</b>	<b>\$19,081</b>	<b>\$0</b>	<b>\$4,115,340</b>	<b>\$776,531</b>	<b>\$4,891,871</b>
<b><sup>5</sup>2008</b>	\$9,841,438	\$2,335,231	\$1,692,094	\$14,327	\$0	\$4,041,652	\$804,938	\$4,846,590
<b><sup>2</sup>2007</b>	\$12,590,076	\$2,473,445	\$2,007,265	-\$1,280	-\$54	\$4,479,376	\$947,815	\$5,427,192
<b><sup>2</sup>2006</b>	\$9,656,593	\$2,414,501	\$1,861,269	\$13,433	\$0	\$4,289,203	\$936,936	\$5,226,140
<b>2005</b>	\$19,092,180	\$2,344,566	\$1,687,799	\$16,833	\$34,193	\$4,083,391	\$1,037,909	\$5,121,300
<b>2004</b>	\$15,360,073	\$2,143,416	\$1,506,424	\$138,230	\$30,802	\$3,818,872	\$881,152	\$4,700,024
<b>2003</b>	\$8,550,000	\$2,142,745	\$1,567,088	\$2,471	\$50,167	\$3,762,471	\$660,865	\$4,423,336
<b>2002</b>	\$13,671,493	\$1,977,222	\$1,386,074	\$23,642	\$68,574	\$3,455,512	\$806,418	\$4,261,930
<b>2001</b>	\$16,787,101	\$1,986,033	\$1,243,061	\$12,629	\$171,314	\$3,413,037	\$740,159	\$4,153,196
<b>2000</b>	\$24,377,943	\$1,883,903	\$1,555,545	\$5,609	\$0	\$3,445,057	\$732,452	\$4,177,509

These numbers are produced from State Financial Management Application (SFMA) reports.

<sup>1</sup>Includes revenue from negotiated sales, rights-of-way, permits, etc., in addition to timber sales.

<sup>2</sup> Expenditures include \$334,811 in FY07 and \$213,783 in FY06, which was funding from a federal grant awarded to DSL for costs associated with Habitat Conservation Planning.

<sup>3</sup> FY 2009 has revenue and expenditure dollars broken out for the Elliott State Forest. "Other Sources" revenue are dollars generated in counties other than Coos and Douglas. The expenditures for FY 2009 broken out for the Elliot State Forest are Coos District expenditures

<sup>4</sup>The fund transfers for 0FY09 are broken out for the Elliott State Forest using Coos District expenditures plus expenditures from Salem and the 3 area offices using a prorate based on acreage. Other expenditures are from other ODF Districts.

<sup>5</sup>FY08 revenue transfer amount was corrected in FY09. The prior amount for FY08 \$9,403,801 was based on payments and not transfers and has been corrected to \$9,841,438.

## FY 2009 Investment Costs

Charges for managing the CSFL totaled \$4.9 million during FY 2009, (Table 1). During FY 2009, \$4.1 million of \$4.9 million in costs were related directly to operational budget units that manage CSFL.

The budget units include Salem's State Forests' staff, three regional areas and nine districts. The

responsibilities of these units include timber sale contract development and compliance, reforestation and intensive management activities; ESA compliance, research and monitoring, forest planning, and overall program management

Other charges to the CSF referred to as “Transfers Out,” were \$768,762 in FY 2009 (Table 2). This is approximately 16 percent of the overall costs. The transfers out charges include: a portion of overall agency administration; capital improvement projects; debt service on capital investments through the use of certificate of participations (COPs); and seed orchard management.

It is the Department of Forestry’s goal to ensure our allocation of agency administrative costs accurately reflects the work performed by administrative and managerial staff, and that each program pays their appropriate share of administrative costs. The administrative funds support the following services:

- Human Resources (Personnel, Labor Relations, Safety, Training);
- Financial Services (accounting and reporting services);
- Internal Auditing, Quality Control, and Risk Management;
- Information Technology support and infrastructure to ODF staff and field offices;
- Oversight and Management of Facilities, Property Control, and Procurement activities (contracting and physical assets);
- Payroll administration;
- Biennial Budget development and implementation;
- Agency Affairs (public information, education, legislative coordination);
- Resource analysis and technical studies and;
- Executive Level Policy and Administrative Oversight (State Land Board, Board of Forestry, Executive Team and Administrative Services Program Directors).

The appropriate administrative cost distribution is calculated from work studies performed each biennium by ODF. The work studies in the different administrative areas represent the percentage of time a specific service area (e.g., Human Resources) performs work for the benefit of an operating program (i.e. management of Common School Lands).

Each biennium, a new work study is performed to make sure the allocated percentages are as accurate as possible, then a budget policy option package is presented as part of the biennial budget to re-align the Department of Forestry’s budget within the study parameters. If the Governor and Legislative Assembly approve the package, then the prorate is realigned. If not, the existing prorate is continued by law. For the 2007-09 and 2009-11 biennia, the requested policy option package was not approved, resulting in an inability to implement the correct allocation. Through passage of the agency’s 2009-11 budget, the legislature did direct the Department of Forestry to use other state forest management funds to implement the correct level of allocation for 2009-11 and preceding biennia to remedy the misaligned biennial budget. These adjustments are summarized in Table 2.

During FY 09, the Secretary of State (SOS) Audit of the ODF’s implementation of the DSL/ODF Management Agreement was completed. During resolution of the audit findings and action planning for the recommendations between ODF and DSL, all of the issues were resolved. Table 2 shows the summary of the resolution.

Seed orchard costs for FY 08 were \$15,981. This money was used to produce genetically improved seed (superior growth, wood quality, and disease tolerance characteristics as identified through traditional breeding and selection methods) appropriate for state forestlands. During FY 08, Douglas-fir seed was harvested for use on the Forest Grove, North Cascade, and Coos Districts. Funds were

also expended to support the stimulation of a seed crop in FY 09 for the Forest Grove, Tillamook, Astoria, and West Oregon Districts, and to support the upgrading of orchards to further improve genetic traits and increase tolerance to Swiss needle cast disease.

The certificate of participation (COP) interest and principal is used to fund capital construction debt service for facility development and improvement to the Salem compound.

The ODF Fire Protection Division billed DSL \$293,779 for fire patrol assessment. This cost is not included in Table 1 as a land management expenditure.

**Table 2. Details of FY 2009 Transfers and Adjustments**

<b>Revenue Transfers</b>	<b>Amount</b>
Orig. Admin Prorate	\$1,006,131
<sup>1</sup> Admin Prorate Credit for 09	(\$333,785)
Admin Prorate Subtotal	\$672,346
Seed Orchard	\$18,463
Residual Equity	\$322
COP Interest	\$26,637
COP Principal	\$58,763
<b>2009 Total</b>	<b>\$776,531</b>
<sup>1</sup> Admin Prorate Credit for FY02-07	(\$968,669)
<sup>1</sup> Admin Prorate Credit for FY08	(\$285,742)
<sup>2</sup> 1997 to 2006 Credit Chg of Land Mgt Prorate %	(\$753,808)
<sup>3</sup> SOS Audit results	(\$27,211)
Fund Balance Reconciliation	(\$65,949)
<b>Total Transfers Into Forest Revenue Acct</b>	<b>(\$2,101,379)</b>

<sup>1</sup>Credit given to reflect negotiated administrative cost rate for period assessed (workload analysis results)

<sup>2</sup>Credit towards decertification of forest land resulting in a change of prorate from 17% to 16%

<sup>3</sup>SOS Audit result is the outcome of a Secretary of State audit that reviewed the Management Agreement between ODF and DSL and associated costs.

## Financial Administration and Reporting

The current 2005 Common School Forest Land Management Agreement (CSFLMA) and 2006 sub-agreement between ODF and DSL provide operational and administrative guidance for the management of CSFL to ensure fiscal accountability and appropriate exchange of information between sister agencies.

DSL and ODF have continued to work closely during the past two years to improve communication and understanding of fiscal reports and budgeting. Ongoing meetings have been held to discuss fiscal and biennial budget development, how ODF gathers and reports financial data, annual operations plans, and other fiscal-related matters. ODF has implemented a new procedure that includes a memo outlining the monthly revenue and costs associated with CSFL management. ODF is also working to improve other monthly reports related to timber sales that will be more specific to CSFL.

## Long-Term Market Trends

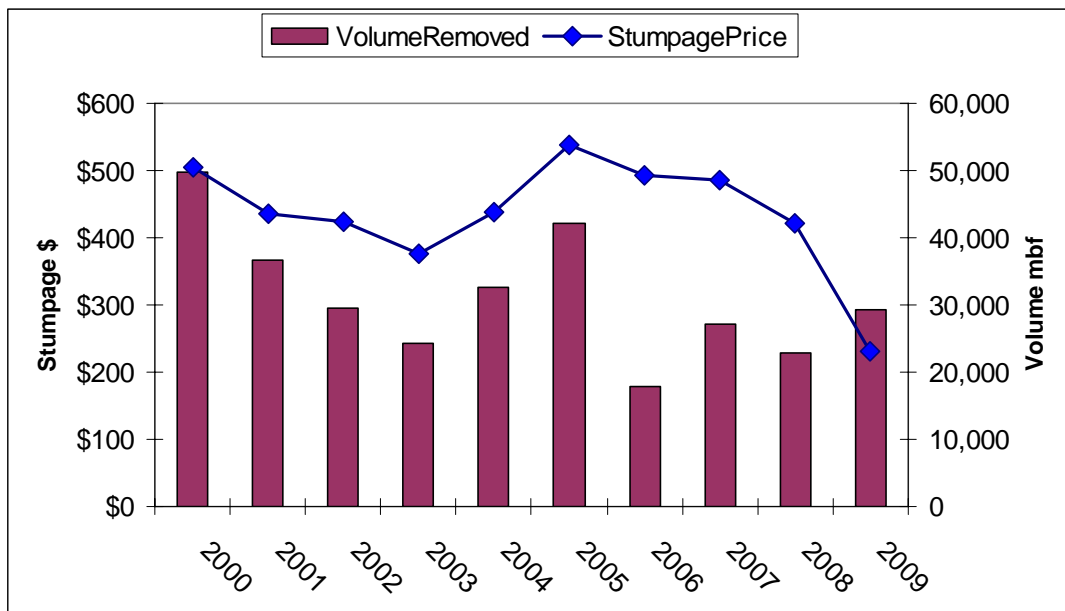
*The projection of the long-term trends is based on data from IHS Global Insight Inc., Random Lengths, and interviews of analysts knowledgeable about Oregon's forest products industry.*

The primary product marketed by the Department of Forestry from CSFL is sawmill grade logs. These logs are processed predominantly into dimension lumber and plywood for the housing market. Accordingly, market trends are largely influenced by the amount of new home construction and home remodeling, the level of non-housing construction, mortgage interest rates, and competition from alternative suppliers of logs and sawtimber. Collapsing house prices and construction and a slowing economy have soured markets for primary forest products and consequently timber marketed from CSFL.

According to the most recent IHS Global Insight forecast, “. . . recent data revisions have shown us that the recession was deeper than first thought. . .” The U.S. economy slumped into a recession in late 2007. Leading the decline was the credit crisis which hit forcefully more than a year ago with rising defaults in the market for subprime mortgage loans. The credit problems have since spread from subprime loans, mortgages provided to borrowers with weak credit histories, to other types of mortgages and other kinds of loans. Mortgage market troubles spread to even the most risk-averse lending institutions, with big credit unions reporting large losses on housing related securities. This gloomy scenario along with a faltering national economy resulted in a downfall in housing-related industries much more severe than previously forecasted.

The Oregon Timber Harvest Reports show ODF-managed forests to have maintained harvests in 2009 at 2007 levels. As shown in Figure 2 and Table 3, harvests from CSFL increased by 27 percent from fiscal year 2008.

**Figure 2: Timber Volume Removed and Stumpage Prices from Common School Lands Harvests, 2000-2009**



Purchasers of timber sales from the Elliott State Forest are from the Coos Bay, Bandon, Roseburg, Riddle, and Eugene-Springfield areas. These companies generally market the logs throughout southwest Oregon and the Willamette Valley to mills and markets that face the trends of the national economy and wood products industry. Accordingly, average stumpage prices for new sales declined from 421 \$/mbf in FY 2008 to 232 \$/mbf in FY 2009, representing a 45 percent drop.

**Table 3. Common School Forest Land Historical  
Timber Harvest Value, Volume and Average Stumpage Price  
Fiscal Years 2000 through 2009**

<b>Fiscal Year</b>	<b>Timber Sales Value of Timber Removed*</b>	<b>Timber Harvest Volume (MBF) Removed</b>	<b>Average Stumpage Price**</b>
2009 Elliott State Forest	\$8,676,962	18,742	\$258
2009 Other CSFL	\$3,742,821	10,545	\$203
<b>Total 2009</b>	<b>\$12,419,784</b>	<b>29,288</b>	<b>\$232</b>
<b>2008</b>	\$11,988,895	22,974	\$421
<b>2007</b>	\$12,760,992	27,084	\$485
<b>2006</b>	\$7,609,658	17,833	\$492
<b>2005</b>	\$20,080,172	42,106	\$537
<b>2004</b>	\$14,260,450	32,520	\$439
<b>2003</b>	\$10,992,972	24,310	\$375
<b>2002</b>	\$14,043,117	29,557	\$423
<b>2001</b>	\$19,231,816	36,621	\$435
<b>2000</b>	\$24,398,921	49,715	\$506
<b>Last 5 Year Average</b>	\$12,971,900	27,857	\$433
<b>10 Year Average</b>	<b>\$14,778,678</b>	<b>31,201</b>	<b>\$434</b>

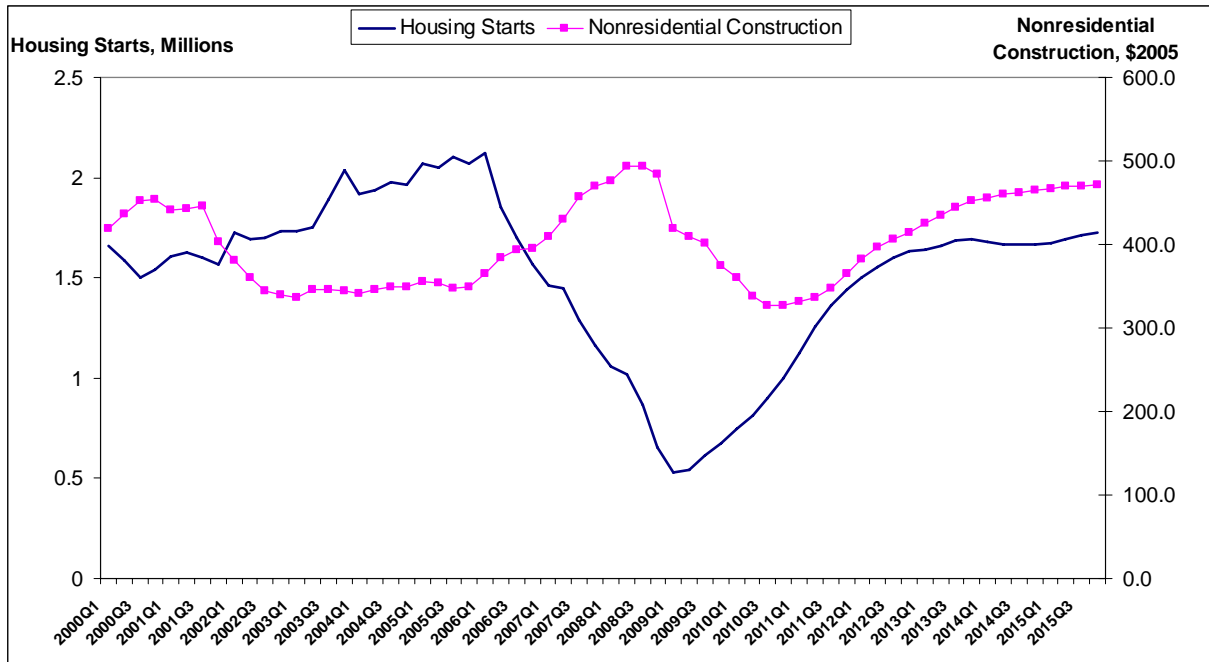
\*Timber Sale Value is gross timber sales value before project work credits are subtracted

\*\*Average stumpage price of sold sales per thousand board feet.

Demand for logs and stumpage harvested from Oregon's forests are highly correlated with national housing starts and will not significantly improve until there is a turnaround in housing start levels. Once the current crisis has passed, excesses in the housing market will be worked off and housing-related industries should begin to recover, albeit slowly. The collapse in housing starts and prices should begin cutting into overlaid housing inventories, but this will take time. In the longer term, the recession is expected to ease but mortgage rates are expected to increase. Housing starts have fallen from 2 million several years ago to 0.9 million in 2008 and to approximately 0.6 million forecasted for 2009. Thereafter, a gradual increase is forecasted, with starts hitting 1.6 million by 2012. These forecasts show lower housing starts and a longer recovery period than did previous forecasts.

As shown in Figure 3 housing starts are now forecasted to have hit bottom in the 2<sup>nd</sup> quarter of 2009 at a historically low level of .54 million annual starts. These levels are expected to increase in the last quarter of 2009 to .68 million starts and gradually increase thereafter. Housing starts are expected to return to the 1.6-1.7 million level, sustainable based on personal income and demographics, by 2013. Demand for lumber and wood products has been held back by falling levels of nonresidential construction, which will continue to decline even as a recovery in housing starts begins (Figure 3).

**Figure 3: Historical and Forecasted U.S. Housing Starts and Nonresidential Construction Spending, 2000-2015**

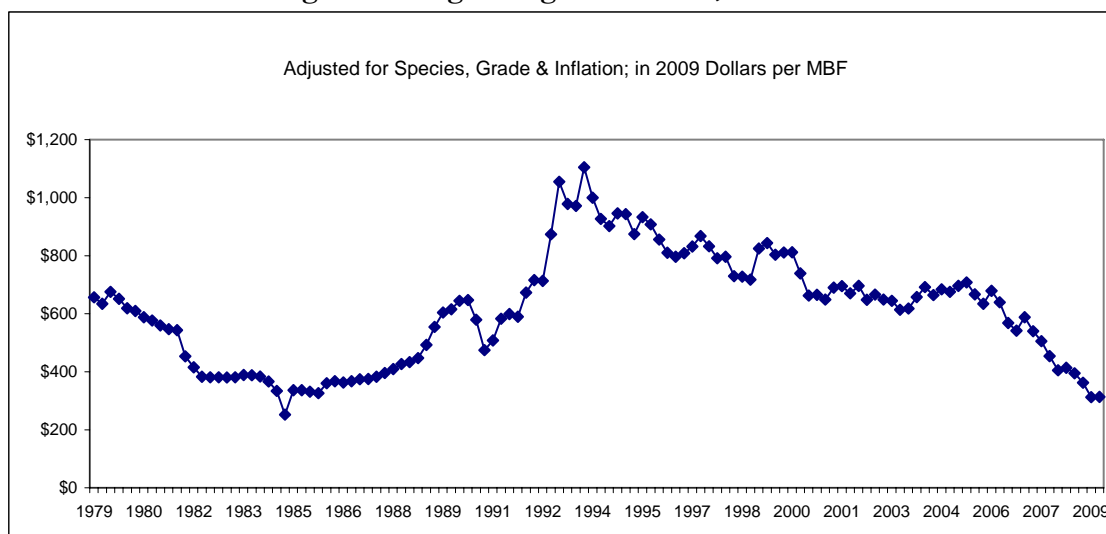


The outlook for single-family housing is improving. According to IHS Global Insights, “Much better affordability, and the extra stimulus from the first-time home-buyers’ tax credit, have lead to improvements in single-family home sales, housing starts, and builder confidence.” The picture is much worse for the multi-family market and nonresidential construction. Other Federal programs, such as the extension of the Term Asset-Backed Loan Facility Program will help build offices, apartment buildings, and other types of commercial real estate but in spite of these programs, spending for business construction will fall.

Along with housing starts, lumber and log prices (Figure 4) had declined dramatically until the second quarter of 2008. Lumber and plywood prices have since rebounded, but to lower levels than last year and it is unclear if these prices can be sustained, even with lower mill production. Log prices have stopped declining, having stabilized at relatively low levels. Although stable, it is unlikely that substantial increases in log prices can be expected until there are indications that recovery of the housing market is eminent.

Bright spots for timber-related industries are rare but could include Federal programs to stimulate new housing and business construction. Regionally, chip prices have fallen from their highs but remain relatively strong. With decreased lumber production has come a scarcity of chips and increasing prices and chipping of smaller and low-quality logs that would have otherwise gone to lumber production. Although a relatively small segment of Oregon’s timber harvests go overseas, export prices are relatively strong giving a needed boost to demand for timber.

Figure 4: Oregon Log Price Index, 1979-2009



Low levels of housing starts and anemic economic growth are expected to result in continuing downward pressure on lumber prices, with recovery in lumber, plywood, and log prices tied to an economic turnaround and improving housing starts. Recovery in demand for logs may be delayed if economic growth is sluggish coming out of the current recession.

## Hardwood Sales Outlook

ODF regularly monitors the prices and trends of alder and other hardwoods to establish the starting point for the timber sale appraisal process. Along with regular monitoring of alder pond values, there is an active log accountability program, which provides monitoring, investigation and identification of current industry practices in the grading, pricing and utilization of different alder log sizes. Awareness of current industry practices and issues allows for response to changes and provides data for consideration when planning future sales.

ODF continues to investigate opportunities to offer sales of alder, and sales in which alder is the predominant species. Due to current economic conditions, the demand for alder has significantly dropped, as have the prices. There are no specific alder sales included in the FY 2010 Annual Operations Plan. CSFL include a relatively small volume of alder, which is difficult to offer as a small, “unbundled” sale opportunity.

Table 4 provides an examination of hardwood volume and value information from FY 2001 through FY 2009.

Table 4. Common School Forest Land Hardwood Volume and Value Information

Fiscal Year	Total # of Timber Sales	Total # Hardwood Bid Species Sales	Hardwood Volume Harvested	Hardwood Value Harvested
FY09	8	0	494	\$178,802
FY08	18	1	463	\$174,382
FY07	10	1	1,063	\$142,744
FY06	12	1	2,613	\$746,779
FY05	12	0	1,286	\$555,439
FY04	10	0	536	\$187,234
FY03	10	1	889	\$352,515
FY02	12	0	786	\$345,688
FY01	14	7	1,319	\$522,765

# Common School Forest Land Timber Sales

## Timber Management Activities

Activities conducted on the 123,225 acres of CSFL managed by ODF include: timber harvest; reforestation and intensive management; road construction; and road maintenance. These 123,225 acres are composed of two AMP classifications, Special Stewardship and Forest Lands. The Special Stewardship acres equal 30,718. The Forest Lands acres equal 92,507. Approximately 71 percent of these lands are managed under the strategies described in the Elliott State Forest Management Plan (adopted 1994). The remaining 29 percent is managed under three other plans: the Northwest Oregon State Forests Management Plan (adopted 2001); the Southwest Oregon State Forest Management Plan (adopted 2001); and the Eastern Region Long-Range Forest Management Plan (adopted 1995).

Timber is harvested on CSFL through regeneration harvests and partial cut harvests. Regeneration harvests remove most of the trees on a site and allow a new stand to be established. Regeneration harvests are the most cost effective harvest method, maintain a diversity of age classes across the landscape, and create the early seral habitats preferred by many wildlife species. Partial cut harvests provide an earlier flow of volume, improve stand growth, and accelerate the development of more complex habitat required by some wildlife species.

Harvests of timber on CSFL occur through timber sale contracts. These timber sales can be summarized in three categories: timber sales sold during the fiscal year; summary of active timber sales (harvesting that occurs on the sale during a fiscal year); and planned timber sales (to be prepared for sale the following fiscal year). In addition, reforestation and intensive management activities can be summarized for each fiscal year and represent an investment in future volume and revenue. Investments in the forest infrastructure through road management activities support timber harvest and other management actions on the forest. These activities also increase the asset value of the forest. Each of these categories is further discussed in the following sections.

## Timber Sales Sold During Fiscal Year 2009

During this fiscal year, eight timber sales were sold that included CSFL (Table 5). These sales are estimated to produce a total volume of 12.2 million board feet with a value of \$2.8 million. Three of the sales were from the Elliott State Forest (ESF), and will produce approximately 59 percent of the estimated revenue. One additional sale was offered in FY 2009 but had no bidders. It subsequently sold in FY 2010. Timber sale preparation has been completed on the remainder of the FY2009 sale plan and these sales will be offered in FY 2010. Revenue from sold sales will be received over the course of a three-year period. Total project costs from sales sold in FY2009 will be about \$377,554. All were recovery sales (paid for based on volume measured after cutting rather than in a lump sum payment on standing cruise volume).

The Elliott State Forest (Coos District) is the largest contributor to the volume and value of CSFL timber sales. The harvest calculations (harvest objectives) on the ESF include both CSFL and BOF land under the current forest management plan. During FY 2009, 89 percent of the volume (18.74 MMBF) harvested from the Elliott and 93.25 percent of the value (\$8,676,962) was from CSFL. This compares to the five-year average from Elliott CSFL of 88.5 percent of the volume (19.56 MMBF) and 90.14 percent of the value (\$10,435,674). The total acreage managed by the Oregon Department of Forestry through Coos District consists of 89,530 acres of CSFL (90.90 percent) and 8,967 acres of BOF lands (9.10 percent).

**Table 5. Common School Forest Land Timber Sales Sold in Fiscal Year 2009**

Sale Name	ODF District	CSFL	Total Sale	CSFL	Acres	Total	CSFL	Net Sale Value	Net CSFL Value	
		% of Sale	Volume (mbf)	Volume (mbf)	Partial Cut	Acres CC	Project Cost			Project Cost
Double Barre	COOS	100	1,177	1,177	0	66	\$12,715	\$12,715	\$238,048	\$238,048
Umpcoos Ridge No. 2	COOS	100	3,305	3,305	0	79	\$147,289	\$147,289	\$1,149,396	\$1,149,396
Mill Creek Bridge No. 2	COOS	100	1,964	1,964	0	109	\$115,356	\$115,356	\$273,491	\$273,491
Chicken Combo	FOREST GROVE	2	6,027	121	221	76	\$121,030	\$2,421	\$1,220,147	\$24,403
Slapdash	KLAMATH-LAKE	93	2,997	2,787	354	0	\$23,672	\$22,015	\$303,954	\$282,677
Biker Baber	WEST OREGON	82	2,612	2,142	0	55	\$83,311	\$68,315	\$774,110	\$634,770
Strombo Combo	WEST OREGON	8	3,418	273	100	32	\$118,043	\$9,443	\$435,673	\$34,854
Wimble Special	WESTERN LANE	100	400	400	80	0	\$0	\$0	\$184,912	\$184,912
<b>TOTALS</b>			<b>21,900</b>	<b>12,169</b>	<b>755</b>	<b>417</b>	<b>\$621,416</b>	<b>\$377,554</b>	<b>\$4,579,732</b>	<b>\$2,822,552</b>

This data is produced from an ODF sale plan database. All dollar amounts were rounded down to the nearest whole dollar. All board foot amounts were rounded down to the nearest board foot.

## Elliott State Forest Harvest Levels

The Elliott State Forest has entered the second decade of implementing the 1995 Forest Management Plan (FMP) and Federal Habitat Conservation Plan (HCP) for the northern spotted owl. In the first five years of this second decade, planned Annual Operations Plan (AOPs) harvest volumes (FY 2005 through FY 2009) have averaged 24.8 MMBF, which is less than the 27.1 MMBF attained in the first decade (FY 1995 through FY 2004). The Program has conducted an analysis of both the 1995 plan's harvest model outputs and recent AOPs, as well as a review of the 1995 FMP/HCP, to determine the factors that contribute to these lower harvest levels. Four primary contributing factors have been identified: expiration of the marbled murrelet Incidental Take Permit; FMP and HCP revision process; age class of harvestable stands; and thinning opportunities.

Following is a discussion of each of these factors.

### *Marbled Murrelets*

The Federal Incidental Take Permit for marbled murrelets expired in 2001, six years into the first decade of plan implementation. Surveying planned timber sales for the marbled murrelet (under take avoidance protocol) has resulted in harvest restrictions in additional stands, particularly the older, higher volume stands. About 25 percent of annual proposed sales are affected by murrelet occupancy, resulting in over 2,000 acres of additional murrelet areas having been set aside. These restrictions have led to fewer AOP harvests in older high-volume stands and more in lower-volume mid-age stands.

### *FMP and HCP Revision Process*

During the last several years, the Department has been in the process of developing a revised FMP and HCP, which has resulted in less area from which to choose harvests. Under the 1995 FMP/HCP, less than half the forest has been available for harvest because of the long rotation basins and reserve areas in these plans. In addition, the proposed conservation areas of the revised plan are being avoided to maintain the revised plan's integrity. This has temporarily removed additional acreage from which sales can be chosen – particularly in the older high-volume stands.

### ***Age Class Distribution***

The harvest model used in the development of the 1995 Elliott FMP/HCP predicted clearcut harvest acres by age class, decade, and basin. Model outputs showed little change between the first and second decades for total harvest acres (478 to 510 acres) but did show a significant shift in the age classes to be harvested. First decade predictions showed 95 percent of the harvest occurring in stands over 100 years in age. Second decade predictions showed 22 percent of the harvest occurring in approximately 40 year old stands and another 13 percent in 60 to 100 year old stands. The remaining second decade harvest comes from older stands. As predicted, the AOPs over the last five years have proposed clearcut harvest in stands approximately 40 years old (34 percent of the total clearcut harvest acres). These younger stands have less volume per acre than the older stands, contributing to a lower total AOP volume.

### ***Thinning Opportunity***

The 1995 Elliott FMP included an estimate of 500 acres of thinning per year only for the first decade, producing an estimated three MMBF of annual volume (there was not a thinning acre objective identified for the second decade). An estimate of thinning was not part of the harvest model. The AOPs averaged 471 acres of thinning per year for the first decade of the FMP/HCP. After completing this first decade of thinning, very few stands suitable for thinning have been identified. However, significant increases in thinning opportunities have been projected for the next decade.

## **Summary of Active Timber Sales**

There were thirty four active timber sales on CSFL during FY 2009. The volume of timber harvested from CSFL for these sales totaled 29.3 MMBF with a timber value of \$12.4 million (Table 3). This is an increase in volume from FY 2008, which totaled 23 MMBF with a value of \$12 million. Although the volume increased 27 percent, the value only slightly increased. The key factors influencing revenue are discussed in the section titled “Financial and Asset Management” under revenue, on page 2.

Volume and value details related to the active sales are shown in Table 6. Funds in this table represent the value of timber harvested during this period. For comparison, the revenues in Table 1 reflect actual revenue transferred to the Department of State Lands. Differences are due to timing of receipts and to project costs. Project costs associated with active timber sales—work on roads, bridges, culverts, etc., are accomplished in conjunction with timber sales. Project costs for FY 2009 totaled \$668,583.



**Table 6. Active Timber Sales on Common School Forest Land –  
Volume and Value Report for Fiscal Year 2009**

<b>District</b>	<b>Sale Year</b>	<b>Sale Name</b>	<b>%CSFL</b>	<b>Timber Removed MMBF</b>	<b>Estimated Value*</b>
West Oregon	2006	Ellmaker Overlook	4.0%	0.00	\$488.83
West Oregon	2006	Big Yaq	26.0%	0.04	\$7,087.76
West Oregon	2007	Burnt Black	4.0%	0.08	\$15,170.99
West Oregon	2007	Table Mountain	100.0%	0.35	\$116,517.21
West Oregon	2008	Spilde Over	100.0%	0.06	\$21,302.58
West Oregon	2008	Miller Deer	18.0%	0.40	\$81,330.60
West Oregon	2008	Haulin Wolf	99.0%	0.79	\$310,248.01
West Oregon	2008	Tums Up	23.0%	0.44	\$51,527.94
West Oregon	2008	Desolation Salvage	100.0%	0.20	\$15,811.20
West Oregon	2009	342 Sale	100.0%	0.02	\$1,182.15
North Cascade	2007	Gates Hill	7.0%	0.20	\$102,315.72
Western Lane	2007	Big Gate	100.0%	4.07	\$2,159,354.31
Astoria	2006	Mcknob	1.3%	0.13	\$34,837.46
Astoria	2008	Hamlet	62.0%	0.71	\$297,883.95
Astoria	2008	Summit Stone	21.5%	0.25	\$31,937.15
Astoria	2009	342 Sale	100.0%	0.05	\$1,000.00
Tillamook	2006	South Burma	44.0%	0.20	\$40,687.74
Tillamook	2008	Juno Bay	12.0%	0.09	\$30,280.06
Tillamook	2007	South Burma Pulp	44.0%	0.00	\$106.64
Coos	2006	Cougar Divided	200.0%	1.56	\$880,027.45
Coos	2007	Elkhorn Ridge No. 6	100.0%	2.82	\$1,458,202.30
Coos	2007	Joe Knife	100.0%	0.75	\$491,113.39
Coos	2008	Piledup Marlow	29.0%	0.56	\$96,835.29
Coos	2008	Western Knife	100.0%	0.57	\$333,695.14
Coos	2008	Little Salander	100.0%	0.10	\$61,219.74
Coos	2008	Umpcoos Ridge	100.0%	2.12	\$1,167,856.48
Coos	2008	Larson Creek No. 2	99.0%	0.95	\$276,696.34
Coos	2008	Fishing Cougar	100.0%	0.03	\$20,272.16
Coos	2008	Panther Headwaters No.3	100.0%	3.54	\$1,779,649.10
Coos	2008	Piledup Marlow No. 2	13.0%	0.01	\$2,274.93
Coos	2008	North Buck	100.0%	4.42	\$1,850,793.33
Coos	2009	Double Barrel	100.0%	1.16	\$229,572.39
Coos	2007	Little Elliot Salvage	198.0%	0.14	\$28,754.42
Klamath-Lake	2008	Beaver Domination	100.0%	2.47	\$423,751.04
<b>FINAL Totals</b>				<b>29.29</b>	<b>\$12,419,783.80</b>

\*Value equals gross value of timber sales before project costs are subtracted.

## **Timber Sale Contract Modifications, Extensions, and Suspensions**

Of the 34 active timber sales on CSFL during FY 2009, three were modified and two were given extensions of time. This compares to FY 2008 when six sales were modified and none were given time extensions. The modifications in FY 2009 included changes to logs prices to encourage removal of utility and pulp material and changing project work by decreasing road surfacing rock requirements. The decrease in project work resulted in a decrease of \$20,080 in project costs.

Regarding sold sales, ODF made an offer to timber sale purchasers to suspend operations on timber sales meeting certain requirements. This allowed more flexibility to complete contract obligations. The objective of the suspension offers is to protect Oregon's timber industry infrastructure and prevent expensive contract defaults. A total of four timber sales on CSFL, with four different purchasers, accepted the offer to suspend operations. Three of these purchasers selected the option to pay monthly installment amounts while not harvesting. The other purchaser selected an option to delay payments until the suspension is complete and pay interest on the future payments.

## Planned Timber Sales

The FY 2010 sale plan includes 711 acres of regeneration harvest and 2,610 acres of partial cutting on CSFL. Table 7 provides additional information on these planned sales. The total estimated CSFL volume is 46.4 MMBF, with an estimated net value of \$14.2 million.

Future revenue to the Common School Fund from these sales is likely to be received over a 2- to 3-year time period due to the length of each contract. Project costs of about \$0.9 million will pay for road and landing construction, road improvement and maintenance, rock stockpiles, culvert replacement, creation of wildlife trees and snags, and stream structure and riparian area rehabilitation. The Coos District's planned FY 2010 CSFL harvest is 39.7 MMBF, or 86 percent of the total CSL harvest volume.

DSL reviews ODF's annual operations plans.

**Table 7. Annual Operations Plans – Timber Sales Planned on Common School Forest Lands in FY 2010**

ODF District	Sale Name	CSL %	MBF Plan	CSL Volume	Regen Acres	Partial Cut Acres	Gross Sale Value (BOF & CSL)	Project Costs CSL Portion	Estimated CSL Net Value
Coos	Millicoma Between	100%	1,600	1,600	44	0	\$641,200	\$58,000	\$583,200
Coos	Double Fish	100%	6,450	6,450	113	0	\$2,570,000	\$70,000	\$2,500,000
Coos	Long Cougar	100%	6,980	6,980	126	0	\$2,792,200	\$97,000	\$2,695,200
Coos	Pegleg Panther	100%	2,780	2,780	50	0	\$1,116,000	\$62,331	\$1,053,669
Coos	Comados	100%	4,920	4,920	88	0	\$1,968,000	\$65,000	\$1,903,000
Coos	Loose Shoes	97%	2,410	2,328	87	0	\$848,400	\$74,288	\$745,351
Coos	Marlow Millacoma Divide	2%	2,100	42	69	0	\$751,800	\$200	\$14,836
Coos	Millacougar Thin	98%	1,920	1,882	0	483	\$290,700	\$49,157	\$235,729
Coos	Millacougar Thin	100%	610	610	0	153	\$91,800	\$15,840	\$75,960
Coos	North Middle Ridges SM	100%	6,070	6,070	0	639	\$1,530,000	\$50,000	\$1,480,000
Coos	South Middle Ridges SM	100%	6,070	6,070	0	658	\$1,530,000	\$50,000	\$1,480,000
Klamath-Lake	Boondoggle	100%	1,400	1,400	0	310	\$175,000	\$22,300	\$152,700
Southwest Oregon	Raspberry Mtn No. 3	100%	2,200	2,200	32	24	\$594,000	\$10,000	\$584,000
Southwest Oregon	Exit 80 Thin	100%	520	520	0	80	\$76,000	\$20,000	\$56,000
West Oregon	Poole Haul	100%	500	500	33	0	\$145,000	\$15,000	\$130,000
West Oregon	Buck-n-Bull	90%	2,000	1,800	69	31	\$715,000	\$194,400	\$449,100
West Oregon	Southern Exposure	12%	1,800	216	0	232	\$360,000	\$15,960	\$27,240
<b>Coos/Elliot</b>	<b>Sub-Total</b>		41,910	39,732	577	1,933	\$14,130,100	\$591,816	\$12,766,945
<b>TOTALS</b>			50,330	46,368	711	2,610	\$16,195,100	\$869,476	\$14,165,985

## Reforestation and Intensive Management

Intensive management activities (Table 8) represent an investment in future benefits such as volume, timber quality, or habitat..

**Table 8. Intensive Management Activities on Common School Fund Lands in FY 2009**

Management Activity	Acres Planned	Acres Completed	Average Cost/ Acre	Total Cost
Planting	643	506	\$267.98	\$135,597
Interplanting	175	3	\$163.81	\$491
Underplanting	3	0	0	\$0
Tree Protection- Barriers	81	93	\$40.94	\$3,807
Tree Protection- Direct Control	1,603	3,866	\$13.35	\$51,596
Site Prep- Chemical -Aerial	420	284	\$37.12	\$10,542
Site Prep- Chemical -Hand	33	32	\$133.35	\$4,267
Site Prep- Slash Burning	7	86	\$23.44	\$2,016
Site Prep- Mechanical	5	22	\$179.00	\$3,938
Fertilization	0	0	0	\$0
Noxious Weeds	5	2	\$15.00	\$30
Release- Chemical- Aerial	138	0	0	\$0
Release- Chemical- Hand	20	20	\$82.50	\$1,650
Release- Mechanical- Hand	40	63	\$71.61	\$4,511
Pre-commercial Thinning	1,321	88	\$73.91	\$6,504
Pruning	0	0	0	\$0
Invasive Plants Surveys	0	5	\$0.00	\$0
Regeneration Surveys <sup>1</sup>	2,777	2,784	\$5.55	\$15,444
<b>Totals</b>	<b>7,271</b>	<b>7,854</b>	<b>\$30.61</b>	<b>\$240,393</b>

<sup>1</sup> Regeneration Surveys evaluate plantation performance two to six years after establishment to determine the need for additional intensive management activities.

Reforestation activities include site prep, planting, and tree protection. These activities are dependent on the timber harvest schedule, the availability of suitable seedlings and weather. The timing of when a harvest unit will be completed and available for site preparation or planting is sometimes unpredictable and made over a year in advance. This can often result in a situation where the harvest unit is not ready and the scheduled activities are postponed. Conversely, there are situations when harvest units are finished earlier than predicted resulting in opportunities to move scheduled reforestation activities forward. Capturing these opportunities is contingent on having flexible reforestation contracts, being able to prepare the site, and availability of appropriate seedlings.

The quality of seedlings available from the nurseries is also variable. Due to a number of situations, there may be a shortfall or excess of seedlings available from the nurseries. Shortfalls result in not being able to plant on schedule, while an excess may allow the planting of an area a year ahead of schedule. Deep snow and late season snow storms added to the challenges of tree planting in FY

2009. Weather conditions are a major factor in chemical site preparation and tree planting. The window of opportunity is sometimes so short for certain activities that conditions may not be suitable to accomplish all the work planned. This is especially true in chemical applications where weather parameters and physiological development of the vegetation are critical. Because of these variables, what is accomplished is often different than what was planned.

Release, precommercial thinning, and fertilization are activities that enhance the growth or quality of crop trees. These activities are not generally as time dependent, and can provide flexibility to the program. Because of circumstances such as high fertilizer costs, a project may be cancelled or postponed, and funds saved or shifted to accomplish higher priority or more cost effective activities. Pruning is now mostly done to reduce the amount of white pine blister rust on western white pine. Pine is planted in root disease areas because it is less susceptible to the disease than other conifers. Noxious weed management activities are conducted concurrently or as an opportunity with other vegetation management practices, or to target weeds in specific areas. These activities may be conducted as part of a coordinated effort in partnership with other landowners and agencies.

## Road Management Activities

Roads essential to forest management are constructed or improved as needed. Construction includes any new roads and reconstruction or relocation of abandoned roads, while improvement includes bringing old roads up to current standards. Road vacating is used on a limited basis, and is the permanent closure of roads, including removal of stream crossings and complete stabilization of the road prism, and is used for roads that are no longer needed and that often pose risk to other resources.

**Table 9. 2009 Annual Road Report –  
Work Completed during FY 2009 Common School Forest Lands**

Annual Road Work							
District/ County	Aggregate/Paved Surface			Dirt Surface			Bridges
	Constructed	Improved	Vacated	Constructed	Improved	Vacated	
Coos/ Coos Co.				0.75 mi \$98,738			
Coos/ Douglas Co.	0.61 mi \$82,870	1.73 mi \$71,430					

Table 9 is designed to provide information about the road system management on CSFL. Activities listed occurred during Fiscal Year 2009. Early road construction on the Elliott State Forest and good maintenance since that time has enabled effective management with little new construction or improvement.

## Research and Monitoring

Operational activities on CSFL are guided by four Forest Management Plans: Northwest Oregon, Southwest Oregon, Eastern Oregon Area, and Elliot State Forest.

The FMPs emphasize the need for adaptive approaches to management, in which the results of management actions are measured and compared to pre-determined objectives, and changes are made where necessary. This approach requires a commitment to long-term information gathering and the incorporation of that information into the decision-making process.

The state forests Research and Monitoring (R&M) Program was developed to ensure that the levels of research, monitoring, and technology transfer are adequate to meet the information needs required by these long-range management plans. A formal policy for State Forests Program research was adopted in 1995. The research policy states that approximately 5 percent of the State Forest

Management Program annual budget can be invested in research, monitoring, and technology transfer. As a result of the funding structure, biennial and annual expenditures are somewhat variable in response to shifting revenue levels.

Two important objectives of the monitoring program are: 1) to determine whether FMP programs and strategies are implemented as stated; and 2) to determine whether FMP programs and strategies are effective at achieving stated objectives. The FMPs serve as the basis for identification of specific information needs that should be addressed through new projects.

In FY 2009 work continued to focus principally on the NW and SW FMPs landscape management strategies because an important, largely untested, hypothesis of the management plans is that they will lead to the stand structures and habitat attributes necessary to support healthy and productive forest ecosystems. Because of their importance, the emphasis was on implementation and effectiveness of landscape management, aquatic and riparian and forest health strategies. Although the emphasis of current initiatives is on the NW and SW FMPs, they will also inform the ESF and EOA FMPs due to the similarities in their overall approaches.

The R&M Program currently consists of approximately 15 research and monitoring projects and seven research cooperatives. Following is a selection of findings from current or completed projects:

- **Mature Forest Study:** Promoting late-successional characteristics in managed forests may involve focusing on the initial thinning levels of stands. These levels could play a role in subsequent thinning schedules to maintain desired understory conifer populations. Overstory density also plays an important role in achieving understory structural objectives.
- **Spotted Owl/Barred Owl Interactions:** Preliminary estimates indicate that barred owls had a substantially lower nest-failure rate than did spotted owls in the 2007 through 2008 survey season. Barred owls also produced five times more young than the spotted owl over a two-year period; 45 young for barred owls versus 9 young for spotted owls.
- **Mineral Nutrition Study:** Nutrient alterations of planted conifer seedlings do not have a significant effect on the browse patterns of animals, but fertilization treatment does provide significant gains in height growth for non-browsed seedlings and significant recovery gains for browsed seedlings which ultimately reduces mortality of seedlings from animal browse.
- **Swiss Needle Cast Cooperative:** Aerial surveys for Swiss Needle Cast damage in Western Oregon indicate that there was more visible damage in 2008 (375,626 acres) than in 2007, continuing a slowly increasing trend since 2004.
- **Marbled Murrelet Monitoring:** Marbled murrelet detections were recorded during 236 of 1,891 surveys across six ODF districts. During 39 of these detections, surveyors observed significant, or sub-canopy, behavior.

Project results are incorporated into the adaptive management approach as new information becomes available. Research implications can inform a broad range of scales from site-level activities to FMP revisions. When project results indicate possible changes to the FMPs, those results will be incorporated into CSFL management or BOF work plans.

## Section II. All State Forests Lands

### Forest Management Activities on All State Forests Land

#### Performance Measures

Performance measures and targets provide a means of measuring progress toward meeting established goals. The Oregon Department of State Lands established performance measures and targets in the Asset Management Plan approved by the State Land Board in 2006. These Asset Management Plan measures and targets have been established to: evaluate management actions; inform decision-making on land reclassifications; and guide decisions on investment, retention and disposal of lands. The State Land Board has established four separate measures it will use to assess performance of the Common School Fund lands. A complete description of these is available in the Asset Management Plan.

#### Public Involvement

The State Forests Division continues to proactively involve the public in the successful implementation of its FMPs, recreation plans and activities. In addition to the public comment period on annual operations plans, the division uses a standing advisory committee, the Northwest State Forests Advisory Committee (SFAC), which works with district staff on issues associated with implementing the NW FMP. The committee is comprised of members that are representative of a diversity of interests. The SFAC meets at least every quarter to engage in ongoing discussions regarding operational activities or issues. There are also additional committees that advise district staff on important recreation issues and activities.

Each year, the public is invited to comment on the annual operations plans (AOPs) for the nine districts with state-managed forestlands. A district AOP includes a summary report and details related to proposed on-the-ground operations, such as timber sales, road building, reforestation, stream enhancement projects and trail building.

After public comments have been considered and any changes made, district foresters approve the annual operations plans for their districts by June 30. Annual operations plans are available at each district office, area ODF offices, and Salem headquarters. The plans also are posted on the ODF web site.

The public involvement process provides an opportunity for ODF districts to share their annual plans, and provide opportunities for the public to ask questions and offer comments on the planned activities on state forestlands. Written comments providing the most useful suggestions focus on one or more of the following:

- enhancing the consistency of an annual plan with the forest management plan;
- improving the clarity of an annual plan;
- providing new information that affects an annual plan (such as location of a domestic water source or cultural resource site); or
- improving the efficiency and effectiveness of an annual plan or planned operation.

The 45-day comment period for the FY 2010 AOPs was held from March 30 to May 13, 2009. This same comment period also was used to review revisions to the implementation plans for the Tillamook and Clatsop state forests. For details on this revision, refer to the NW and SW State

Forests section on page 25. Public meetings also were held in Tillamook, Forest Grove and Astoria to discuss the revisions to the implementation plans and to receive public comments.

## **Land Exchanges, Acquisitions and Decertification**

ODF is working collaboratively with DSL across multiple districts updating land acquisition and exchange plans and review of parcels for decertification consistent with the Asset Management Plan.

### **Elliott State Forest—Coos District**

*The Coos District includes Coos, Curry and western Douglas counties on the southern Oregon coast and contains about 87,934 acres of Common School Forest Land, and 9,088 acres of Board of Forestry Lands. The largest block of this land is 93,282 acres in the Elliott State Forest located southeast of Reedsport.*

#### ***Forest Management and Habitat Conservation Plans***

Planning for revision of the Elliott State Forest Management Plan (FMP) and the Elliott Habitat Conservation Plan (HCP) continued in FY 2009. The planning team consists of a policy steering committee, which includes representation from ODF, Department of State Lands, Department of Justice, Oregon Department of Fish and Wildlife (ODFW), Coos County Commission, South Coast Education Service District, and a core team comprised of technical specialists from ODF and ODFW.

The final draft of the FMP was completed by the planning team and made available for review and comment at public meetings in September 2005. In January and February 2006, the BOF and SLB approved continued development of the HCP consistent with the strategies in the draft FMP.

The draft HCP was completed in 2007 and an EIS contractor worked with ODF and the federal services to complete the public review draft EIS. The draft EIS went out for a 90-day public review in August of 2008. The HCP strategies have been developed to minimize and mitigate the effects of authorized incidental take associated with forest management. The revised Elliott HCP includes the northern spotted owl, marbled murrelet, coho salmon and 13 other species at risk for listing that are known to, or could, inhabit the Elliott State Forest.

In 2009, negotiations on the HCP strategies resumed with the federal services in light of the public comments received on the draft HCP and draft EIS. The timeline for decisions by the State Land Board and Board of Forestry for continuing to move forward with the draft HCP or with a different approach with revised strategies is late 2009.

#### ***Marbled Murrelet Protocol Surveys***

In 2008, 713 surveys were completed at 454 stations, representing 79 survey sites on the Elliott State Forest. These 79 sites represented 21 planned timber sales. Detections of marbled murrelets were recorded during 143 surveys at 53 different sites with 20 surveys recording sub-canopy behavior. Of the surveys with significant, sub-canopy detections, all were associated with protocol surveys of nine planned sales.

Sub-canopy detection and presence detections of marbled murrelets resulted in the creation of four new Marbled Murrelet Management Areas (MMMA's) totaling 120 acres (Table 10). In addition to four new MMMA's being created, a total of 226 acres were added to six existing MMMA's from sub-canopy detections (see Table 11).

**Table 10: Marbled Murrelet Management Areas Created in FY 2009**

<b>MMMA Name</b>	<b>Sale Name</b>	<b>Acres</b>
Deer Molar	Deer Headwaters	23
Cougar Mouth	Kelly Cougar	21
Millicoma Strawberry	Millicoma Lookout	22
Elkhorn Ranch	Elkhorn Ranch	54
<b>Total</b>		<b>120</b>

**Table 11: Acres Added to Existing MMMAs in FY 2009**

<b>MMMA Name</b>	<b>Sale Name</b>	<b>Acres</b>
Marlow Bottom	Marlow Bottom	10
Trout Mouth	Stulls Ridge #3	24
Charlotte Headwaters	Deer Headwaters	29
Fish Knife	Kelly Cougar	44
Knife Forks	Double Fish	23
Marlow Bottom	Marlow Millicoma Divide	96
<b>Total</b>		<b>226</b>

Eleven sale units were released for sale preparation after no significant detections were observed within the sale area during protocol surveys. The 2008 surveys began in May and ended August 3.

***Oregon Plan for Salmon and Watersheds***

The following activities were accomplished during the 2009 fiscal year under the Oregon Plan for Salmon and Watersheds:

- There were eight sales completed during the reporting period where additional trees were retained along stream buffers under ODF Harvest Measure 62 for the Oregon Plan. Two of these sales included large wood placement into coho streams to improve fish habitat as part of the timber sale and another sale included 3,500 feet of road decommissioning.
- The Coos District cooperated with the Coos Watershed Association (CWA) to complete one large in-stream wood placement project in Elk Creek and replaced three culverts on streams to improve adult and juvenile fish passage.
- The Coos District cooperated with Oregon Department of Fish and Wildlife (ODFW) to complete another in-stream wood placement project in Footlog Creek.
- Coos District continues to have voting board members on the Coos Watershed Association and the Tenmile Lakes Basin Partnership.



Log being lowered into Cougar Creek during harvest operations from the Cougar Divided timber sale.



Retained spawning gravel after winter flows in Cougar Creek.



Before photo of Totten creek culvert.



After photo of completed culvert on Totten creek.



Hooking up cables to pull wood into the stream channel on Elk Creek.



Completed structure of trees with rootwads in Elk Creek.

## **NW and SW Oregon State Forests**

*The lands managed under the Northwest Oregon and Southwest Oregon State Forest Management Plans include about 26,000 acres of Common School Forest Land, which represents about three percent of the total state forest land managed under the northwest and southwest Oregon state forest plans.*

### ***Northwest Oregon Forest Management Plan***

The Board of Forestry (BOF), in June 2009, directed the ODF to revise the NW and SW Oregon State FMPs. The revision involves reducing the long-term goal for developing complex forests in the NW FMP, while allowing for greater economic returns through timber harvest. The NW FMP long-term goal for complex forest types will move from 40-60 percent of the landscape to 30-50 percent, with 20 percent of the acreage of these complex forest types expected to be developed within 20 years.

The BOF also approved implementing new strategies for species of concern. In cooperation with the Oregon Department of Fish and Wildlife, ODF has identified 40 species the strategies are intended to protect, including federal and state listed threatened and endangered species. The species of concern strategies will replace a draft habitat conservation plan that had been used to supply management guidelines.

The revisions to the NW and SW plans are expected to make available more opportunities for harvest on the 3 percent of CSFL in this part of the state. Following the public process to revise the plans, which are administrative rules, the plans will be brought to the SLB for approval.

Since the forest management plans are administrative rules, the revision will require formal rulemaking. This process provides for public review and participation in the adoption of the revised plans. The revision process could take up to a year. The first on-the-ground effects of the BOF's decision would likely be seen in the 2012 annual operations plans.

### ***District Implementation Plans***

In 2009, State Forester Marvin Brown approved revised District Implementation Plans for Tillamook, Astoria and Forest Grove districts. The revision, which became effective for the 2010 annual operations plans, reduces the long-term goal for structurally complex forests from 50 percent to 40 percent, a reduction within the range of the NW FMP. The implementation plans for the three districts were revised to better align with the performance measures approved by the BOF. The BOF's performance measures call for increased revenue and having 20 percent of the acreage of the Tillamook and Clatsop state forests in structurally complex (older) forest habitat in 20 years. An ODF work group developed the revised strategies. The implementation plans will need to be revised again when the revised NW FMP is approved.

Implementation plans describe the management approaches and activities each district will pursue in order to carry out the NW and SW FMPs. They provide the objectives for the annual operations plans, and they link the goals and strategies found in the long-range FMPs to the annual plans. The districts that are operating under an implementation plan include: Astoria, Forest Grove, Tillamook, North Cascade, West Oregon, Western Lane and Southwest Oregon districts. The initial implementation plans were approved by the State Forester in March of 2003. They are developed with a 10-year outlook, but are subject to revisions as needed, or at least every ten years.

## Stand Level Inventory on all State Forests

The Stand Level Inventory (SLI) is a forest inventory developed by ODF, and is used on CSFL and all other lands managed by the State Forests Division. Field measured sampling occurs in a carefully selected representative portion of all stands. These inventory cruise stand results are used to extrapolate inventory information in a supervised way to stands which do not have field-measured data. This provides site-specific information on trees, downed wood and non-tree vegetation (herbs-shrubs-grasses) in the cruised stands, statistically derived information about all stands for forest modeling purposes, and the ability to aggregate the information to report district and state-wide inventory totals for state forestlands.

Statewide, as of the end of June 2009, there are 13,355 SLI stands, 5,346 of which (40 percent) have field-based measurements. Stands are delineated along differences in general timber characteristics – boundaries are drawn to group together areas with similar tree species, size and stocking. SLI boundaries often coincide with administrative boundaries, but individual stands may include more than one land ownership category such as BOF lands and CSFL. Inventory reporting specific to ownership category is facilitated by integration of the SLI data with ownership information from GIS. The table below shows the total number of stands by ODF District, the number and percentage of stands with field-based measurements, the number of stands having one or more acre of BOF lands, and the number of stands having one or more acre of CSFL.

**Table 12: SLI Status of All Ownership Classes as of June 2009**

State Forests Districts	Total Stands	Measured Stands	Measured Stands %	BOF Stands	CSFL Stands
Astoria	1,510	863	57%	1,482	66
Forest Grove	1,258	755	60%	1,251	22
Tillamook	5,753	892	16%	5,642	194
West Oregon	968	508	52%	811	297
North Cascade	761	377	50%	744	34
Western Lane	371	210	57%	344	28
Southwest Oregon	294	174	59%	164	130
Coos	2,139	1,343	63%	284	1,997
Klamath-Lake	301	224	74%	220	81
<b>Totals</b>	<b>13,355</b>	<b>5,346</b>	<b>40.0%</b>	<b>10,942</b>	<b>2,849</b>

Forest stands undergo continuous change over time, due to timber growth, mortality and harvest. The long-term goal for SLI is to maintain at least 50 percent of all stands with recent (with respect to change factors) field measured cruise information. ODF has conducted annual inventory cruising projects in order to acquire and maintain the needed measurements. During the period from July 2008 through June 2009, 425 newly measured stands (about 3.2 percent of all stands) were completed as part of the latest annual projects.

### *Stand Level Inventory Timber Volume Estimate*

Table 13 shows the SLI-based estimate of merchantable net board foot volume by species for CSFL lands as of June 30, 2009. The acres information is net of area in roads – other non-forested acres are

not removed, but the volume estimate does reflect the effect of low or non-stocked acres outside of roads.

**Table 13: Timber Inventory Estimate for State Forests CSFL, June 30, 2009**

Total Net Scribner Board Foot Volumes (MBF)											Average MBF/ Acre
District	Acres	Douglas -fir	Cedar	True Fir	Hemlock	Pine	Spruce	Alder	Other	Total	
Astoria	1,931	24,047	311	168	10,129	0	2,341	5,023	277	42,296	21.9
Coos	85,985	2,028,292	14,780	1,064	205,016	222	9,621	99,179	45,821	2,403,995	28.0
Forest Grove	591	7,045	48	221	125	0	0	591	134	8,164	13.8
Klamath-Lake	6,825	54	436	12,057	0	24,063	0	0	78	36,688	5.4
North Cascade	992	23,255	43	49	737	0	0	1,018	1,037	26,139	26.3
Southwest Oregon	7,925	81,038	2,733	5,164	407	7,474	0	64	10,074	106,954	13.5
Tillamook	4,934	51,708	1,216	268	34,804	0	12,671	16,578	641	117,886	23.9
Western Lane	1,744	37,205	599	766	2,875	0	0	805	1,607	43,857	25.1
West Oregon	7,863	148,562	1,127	4	9,075	9	1,043	23,133	4,727	187,680	23.9
<b>Totals</b>	<b>118,790</b>	<b>2,401,206</b>	<b>21,293</b>	<b>19,761</b>	<b>263,168</b>	<b>31,768</b>	<b>25,676</b>	<b>146,391</b>	<b>64,396</b>	<b>2,973,659</b>	<b>25.0</b>

Each of the nine Districts annually update their SLI just prior to the end of June each year – in time for using the updated data for this report. This year, however, the status of the districts’ update work was somewhat variable – two had completed the update, while others had partial year or no updates completed. The following is a synopsis of the update status and basis by district for the SLI-based timber inventory estimates above:

- Astoria, Coos, Forest Grove, Tillamook and Western Lane Districts – this year’s update not completed, timber inventory information for this report obtained by growing last year’s data forward using the inventory growth model, no operations updates (harvest, PCT, planting, etc.) included for the year.
- Southwest Oregon District - this year’s update not completed, timber inventory information for this report obtained by growing last year’s data forward using the inventory growth model, operations updates (harvest, PCT, planting, etc.) included for the period July through November 2008 only.
- West Oregon District - this year’s update not completed, timber inventory information for this report obtained by growing last year’s data forward using the inventory growth model, operations updates (harvest, PCT, planting, etc.) included for the period July 2008 through January 2009 only.
- Klamath-Lake, North Cascade Districts – this year’s update completed, current data used for this report.

# Appendix A

**Table A: Common School Lands Managed by ODF by County**

COUNTY	CSFL Acres
BENTON	723
CLACKAMAS	113
CLATSOP	2,060
COLUMBIA	80
COOS	54,241
CURRY	2,597
DOUGLAS	34,566
JACKSON	2,062
JOSEPHINE	4,167
KLAMATH	6,827
LANE	1,762
LINCOLN	5,612
LINN	90
MARION	720
POLK	1,690
TILLAMOOK	5,584
WASHINGTON	250
YAMHILL	80
<b>Grand Total</b>	<b>123,225</b>

Source: Patty Cate, ODF, 7/21/2009

Department of  
State Lands  
Common School Lands  
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