

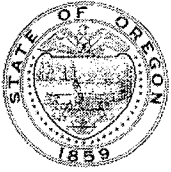
The Common School Fund Fiscal Year 2006 Annual Report



"STEWARDSHIP IN FORESTRY"

“Working in Partnership for Oregonians and their Communities”

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



Oregon

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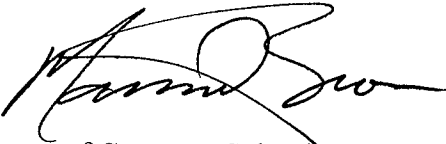
MEMORANDUM



"STEWARDSHIP IN FORESTRY"

DATE: October 9, 2006

TO: Governor Ted Kulongoski
Secretary of State Bill Bradbury
State Treasurer Randall Edwards

FROM: Marvin D. Brown, State Forester 

SUBJECT: Fiscal Year 2006 Report on the Status of Common School Forest Land Management

The Oregon Department of Forestry (ODF) manages the Common School Forest Lands (CSFL) under 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 and protect these lands for the maximum, long-term benefit of public schools, consistent with sound stewardship, conservation and business principles. The Department of State Lands Asset Management Plan calls for these lands to be managed to provide a sustained, even flow of timber harvest. Revenues from these lands are dedicated to the state's Common School Fund (CSF).

ODF actively manages these lands for sustainable timber harvest and resource protection by implementing goal-driven strategies contained in broad forest management plans. The primary standard of management on CSFL is the maximization of long-term revenues, consistent with scientifically-based techniques of land management.

The agreement between ODF, DSL and the SLB requires ODF to report annually in writing concerning the status of CSFL management. The status report includes volume, value and methods of timber sales, reforestation and intensive management accomplishments and costs, estimated and actual fiscal year operating costs, sold sale revenues, contract modifications, upcoming timber sale plans, and any other information affecting the management of CSFL.

In preparation for biennial budget development, ODF prepares a revenue projection and budget for the upcoming biennium. In June 2004, the ODF provided the SLB a revenue projection of \$22.6 million for projected harvest of timber from CSFL for the 2005–2007 biennium. During fiscal year 2006, a revenue transfer of \$9.6 million was made to the DSL for the CSF. The April 2006 revenue projection is

estimating an additional \$12.2 million in the remainder of the 2005–2007 biennium, for a total of 21.8 million for the 2005–2007 biennium. Based on the April revenue projection, revenue transfers for 2005–2007 are anticipated to meet projections.

Although revenues are consistent with projections, the decreased revenue to the CSF deserves further discussion. The 10-year annual average for statewide CSFL timber harvest volume removed is 31.7 million board feet (MMBF). Historically, the Elliott State Forest has contributed an average of eighty-plus percent of the total statewide volume removed. During FY 2006, the statewide volume removed dropped below the average to 17.8 MMBF, of which the Elliott produced 62%. This was a result of reduction in harvest activity on CSFL during the summer of 2005 (a market issue with specific purchasers of ESF timber), and an increase in the the percent of harvest value from BOF lands.

Some of the other specific issues affecting harvest on the ESF include:

- 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 (currently only operating on ½ of the forest);
- Additional marbled murrelet management areas are created each year and continue to reduce the area in which sales can be planned;
- Managing the risks associated with ongoing surveys of threatened and endangered species limits the extent of the landbase available;
- Some of the recent timber sales have been in younger stands (thus less volume per acre);
- Thinning volumes have decreased, but as the timber matures, volume will again increase; and
- Fluctuating market prices (log prices, timing and trends in harvest).

As you are all aware, these issues will be an on-going challenge as ODF continues to manage the forests and provide outputs and accomplishments that are consistent with the 1995 HCP for northern spotted owls and current annual plans. The approval of the new plan and revised Habitat Conservation Plan currently under development for the ESF would alleviate many of these issues.

ODF also presented a draft budget consisting of \$12.1 for the 2005–2007 biennium. A policy option reduction package was submitted and approved that lowered the overall budget to a legislative approved budget of \$10.8 million. Costs for managing the CSFL totaled \$5.2 million during fiscal year 2006 (the first half of the biennium). The DSL has a federal grant for charges related to the planning efforts on the Elliott State Forest Habitat Conservation Plan, which paid a total of \$213,000 of the planning costs in fiscal year 2006. The remaining \$5.0 million are the

ODF charges to the CSF fund, reflecting costs that are consistent with the approved biennial budget.

Highlights from ODF's current report (Appendix A) include the following:

1. Revenues and expenditures for FY2006 – Volume harvest from CSFL totaled 17.8 MMBF, and generated \$9.7 million in revenue to the Common School Fund. Management costs totaled \$5.2 million (\$200,000 will be paid for by a federal grant).
2. Data on timber sales sold during FY2006 - Sixteen timber sales containing CSFL were sold in FY2006, for a total estimated volume of 34.7 MMBF and an estimated value of \$17 million.
3. Planned timber sales for FY2007 - Sixteen timber sales totaling 22.1 MMBF are planned for FY2007 (2006 marbled murrelet survey results may result in a change to these numbers).
4. Major Planning and Policy Actions – In January and February of 2006, the BOF and SLB approved continued development of the revised Elliott Habitat Conservation Plan (HCP) consistent with the strategies in the draft Forest Management Plan. Substantial agreement on HCP strategies was achieved with the federal services in May of 2006. In late June of 2006, the draft HCP was made available for developing a draft Environmental Impact Statement. The anticipated date for a federal decision on an Incidental Take Permit is fall of 2007, after completion of the National Environmental Policy Act process. The current timeline for requesting SLB and BOF approval of the revised FMP and HCP is late 2007, after the federal decision.
5. Other specific management activities on the Elliott State Forest for FY2005 included:
 - Completion of the 2005 Marbled Murrelet Protocol Surveys. In the survey season, 306 surveys were completed at 174 stations representing 37 survey sites on the ESF. A total of 78 acres were mapped as occupied with one new Marbled Murrelet Management Area (MMMA) designated (Larson Bottom) totaling 78 acres.
 - Oregon Plan for Salmon and Watershed. The Coos District cooperated with the Coos Watershed Association to complete two large in-stream wood placement projects in Elk Creek and in the West Fork Millicoma River.
6. Other specific management activities on CSFL included the continued treatment of a musk thistle infestation in the Yainax tract (ODF Klamath-Lake District). Hand spraying of 587 acres was conducted during FY 2006 and this program will be continued in 2007.

7. Intensive management practices – Management practices were applied to 5,203 acres of CSFL during FY2006. These practices included tree planting, tree protection, vegetation control, noxious weed management, fertilization, pre-commercial thinning and pruning. The total cost for these intensive management practices in FY2006 was \$319,054.

APPENDIX:

- A. Report to the Department of State Lands and State Land Board on the Status of Common School Forest Land Management – July 1, 2005 through June 30, 2006.

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Introduction

The Oregon Department of Forestry (ODF) manages the Common School Forest Lands (CSFL) under the CSFL Management Agreement with the State Land Board (SLB) and the Department of State Lands (DSL). CSFLs are trust lands that were granted by the United States to the State of Oregon upon admission to the union for the use of 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)** (August 15, 2006 Final Administrative Review Draft version) provides the strategic direction for common school forest lands. 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 have been coordinating with DSL as needed during the revision process of the 1995 AMP. As the plan is approved, ODF will implement any changes needed to assure alignment with the revised 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 123,879 acres of CSFL (Table 12) 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 Fiscal Year (FY) 2006. 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) 2006 (July 1, 2005–June 30, 2006). However, in the business of forest management and, particularly, management of the Elliott State Forest (ESF), it is important to look at the trend in revenue and costs over the past few biennia, because the timing of harvest and other factors can cause any one year to be above or below average. Revenue transferred to the Common School Fund (CSF) from management of CSFL has varied over the past ten years from \$24.3 million to \$8.5 million on an annual basis. Concerns about the variation in revenue are not new, but the primary factor influencing the revenue remains the same. Uncertainty from marbled murrelet detections, harvest timing as a result of market conditions, a changing ratio between CSFL harvest and Board of Forestry Lands (BOFL) harvest, and variation in individual sale volume and value all have an influence on annual revenue production.

During the preparation and review of the ODFs biennial budget for the 2003–2005 biennium concerns arose over the declining revenue from CSFL. The ODF contracted with Dr. John Beuter of Corvallis to update analytical work done in the mid-1990s, and to address questions related to the decline in revenues and the costs of management, particularly on the ESF. Dr. Beuter’s findings were discussed in the *2003 State of Common School Land Management Report*. The main reason for the decline in net revenues at that time was a reduction in timber volume sold from the ESF, because of marbled murrelet surveying and set asides. This is still the primary factor today affecting volume and revenue from the ESF.

The 1995 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 1995 HCP eliminated the need for annual owl and murrelet surveys of proposed sale areas. The murrelet ITP, a six-year agreement, expired in 2001 and surveys for murrelets (a take avoidance strategy) were resumed in 1998 to assure sales being sold in 2001 complied with the ESA. The 2003 Beuter report stated, “As it turns out, the Elliott is a murrelet-rich environment and murrelets are found even on about 25 percent of timber sales proposed in ‘poor’ murrelet habitat.” When murrelets are discovered, the sale may be dropped and/or significantly modified, thus causing a decrease in volume/revenue. In some years after completing all the necessary planning and field work, the ESF may still lose one out of every four sales. Alternate sales are substituted but may not contain the same amount of volume as lost sales.

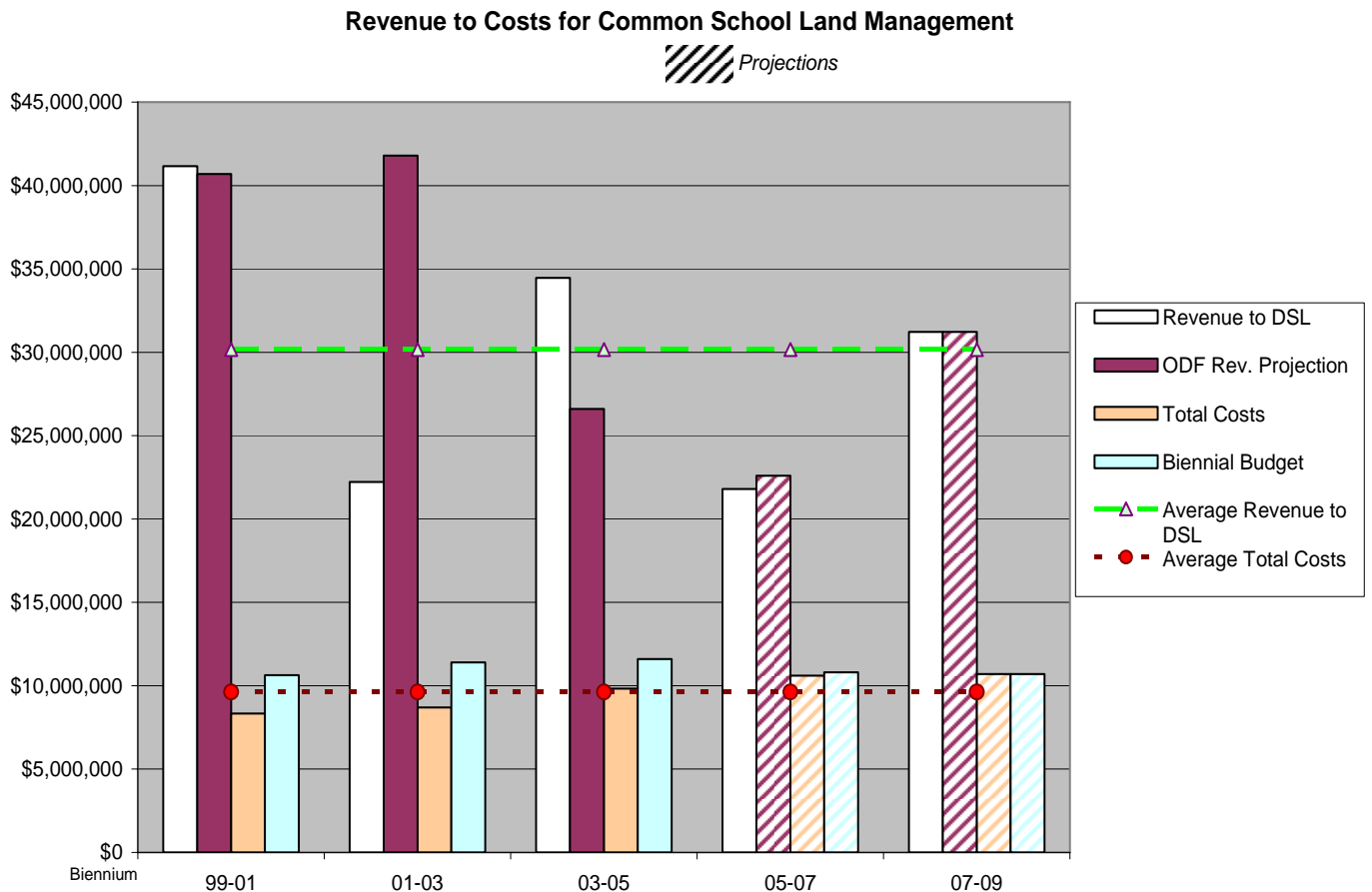
Fortunately, significant progress has been made on a revised forest management plan and multi-species HCP for the ESF. The new plans are expected to increase volume and revenue from the ESF while, protecting murrelets, spotted owls and other native fish and wildlife species pursuant to Federal Endangered Species Act requirements. The current timeline for requesting SLB approval of both revised plans is late in 2007.

Biennial Context

Every two years the ODF provides the SLB with a revenue projection and proposed budget for the next biennium. Draft budget numbers are provided during the month of June of each even numbered year for the following biennium. Agency recommended budget (ARB) numbers are shared again with the SLB once the ODF budget passes through the Budget and Management Division of Department of Administrative Services. ODF will be returning to the SLB late in 2006 with the final ARB for 2007–2009.

Combining actual numbers (revenue and costs) from FY 2000–FY 2006 with projected revenues and costs through FY 2009, results in a ten-year average cost to revenue ratio of 30% (Figure 1). The difference between revenue projected and revenue to DSL in 01–03 was a result of marbled murrelet surveys influence on the 2001 sale plan.

Figure 1. Biennial Revenue to Costs



05-07 numbers for revenue include actuals from FY06 plus estimates for FY07, expenditures for 06 are actual and FY07 are estimates
 07-09 numbers for revenue reflect the revised April revenue projection and estimated costs for FY08 & 09.

FY 2006 Revenue

In June 2004, the ODF provided the State Land Board a revenue projection of \$22.6 million for projected harvest of timber from CSFL in the 2005–2007 biennium. During fiscal year 2006, a revenue transfer of \$9.6 million (Table 1) was made to the DSL for the CSF. The April 2006 revised revenue projection is estimating an additional \$12.2 million in the remainder of the 2005–2007 biennium. Based on the April revenue projection, revenue transfers for 2005–2007 are anticipated to be about 96% of what was projected. Whether or not revenue will meet the forecast depends on the timing of the wood being removed, revenue flow and market conditions. Currently, the ODF updates the revenue projections twice throughout each fiscal year. The next updated forecast will be available to DSL in November 2006.

Although actual revenue for FY 2006 and anticipated revenue for FY 2007 are consistent with original projections for the biennium, the key factors that affect annual revenue such as those mentioned above affected FY 2006 revenue and will affect FY 2007 revenue. Details of the specific sales that produced the revenue for FY 2006 and market conditions follow in the report.

FY 2006 Costs

In June 2004, the ODF provided the State Land Board a draft budget for the 2005–2007 biennium requesting \$12.1 million. A policy option reduction package was also submitted and approved that lowered the overall budget to \$10.8 million. Charges for managing the CSFL totaled \$5.2 million during fiscal year 2006 (the first half of the biennium). The DSL has a federal grant for charges related to the planning efforts on the Elliott State Forest Habitat Conservation Plan, which paid a total of \$213,000 of the planning costs in fiscal year 2006. The remaining \$5.0 million are the ODF charges to the CSF fund, reflecting costs in line with the approved biennial budget.

During fiscal year 2006, \$4.3 million of \$5.0 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 overall program management, research and monitoring, long-range forest management planning, timber sale contract development and administration, and intensive management activities.

Other charges to the CSF referred to as “Transfers Out,” were \$936,936 in fiscal year 2006 (Table 2). This is approximately eighteen percent of the overall costs. The transfer out charges include: an administrative prorate, capital improvement projects, certificate of participations (COPs), and seed orchard management.

It is ODF’s goal to ensure our administrative prorate accurately reflects the work performed by administrative staff, and that each end-user pays their fair share of administrative costs. The administrative prorate provides DSL with the following services:

- Financial Services (accounting and reporting services)
- Information Technology support and infrastructure to ODF staff and field offices
- Oversight of Facilities and Procurement activities (contracting and physical assets)
- Payroll calculation and Property Management oversight

- Biennial Budget development and implementation
- Executive Level Policy and Administrative oversight (State Land Board, Board of Forestry, Executive Team and Administrative Services Program Directors)

The administrative prorate charges for fiscal year 2006 were \$771,500. The administrative prorate percentages are taken from work studies performed each biennium by ODF. The work studies in the different administrative areas calculate the percentage of time a specific service area performs work for the benefit of an end-user (i.e. DSL). Each biennium, a new work study or "Widget Study" is performed to make sure the allocated percentages are as accurate as possible, then a policy option package is presented as part of the budget to re-align ODF's budget within the study parameters.

Seed orchard costs for fiscal year 2006 were \$32,600. This money was used to produce genetically improved seed (superior growth characteristics as identified through traditional breeding and selection methods) appropriate for state forestlands. During fiscal year 2006, Douglas-fir seed was produced for use on Coos (the Elliott State Forest), Cascade, Forest Grove, and Western Lane Districts. In addition, the orchard blocks that produce seed for Astoria, Tillamook, and West Oregon Districts, as well as blocks producing hemlock and western redcedar seed, were stimulated to produce a seed crop during fiscal year 2007. Some funds also supported upgrading projects that will further growth characteristic improvements and an increased tolerance to Swiss needle cast disease.

The certificate of participation (COP) interest and principle allocation funded debt service for capital construction on the Salem compound. Capital improvement project costs were a result of facility development and improvement to the Salem compound.

The Oregon Department of Forestry Protection from Fire program billed the Department of State Lands \$255,442 for fire patrol assessment.



**Table 1. Revenue and Costs from Common School Forest Lands
Fiscal Years 1998 through 2006**

<i>Actual Revenue Transfer to DSL</i>		<i>Fund 52 Expenditures</i>					<i>Transfers Out</i>	<i>Total Costs</i>
Fiscal Year	Timber Sales & Forest Product Sales Revenue¹	Personal Services	Services & Supplies	Capital Outlay	Special Payments	Total Expenditures	Admin Prorate, Capital Improvement, COPs, Seed Orchard, etc.	Fund 52 Expenditures and Revenue Transfers
2006	\$9,656,593	\$2,414,501	\$1,861,269	\$13,433	-	\$4,289,203 ²	\$936,936	\$5,226,140
2005	\$19,092,180	\$2,344,566	\$1,687,799	\$16,833	\$34,193	\$4,083,391	\$1,037,909	\$5,121,300
2004	\$15,360,073	\$2,143,416	\$1,506,424	\$138,230	\$30,802	\$3,818,872	\$881,152	\$4,700,024
2003	\$8,550,000	\$2,142,745	\$1,567,088	\$2,471	\$50,167	\$3,762,471	\$660,865	\$4,423,336
2002	\$13,671,493	\$1,977,222	\$1,386,074	\$23,642	\$68,574	\$3,455,512	\$806,418	\$4,261,930
2001	\$16,787,101	\$1,986,033	\$1,243,061	\$12,629	\$171,314	\$3,413,037	\$740,159	\$4,153,196
2000	\$24,377,943	\$1,883,903	\$1,555,545	\$5,609	-	\$3,445,057	\$732,452	\$4,177,509
1999	\$17,439,454	\$1,702,266	\$1,966,104	\$20,521	-	\$3,688,891	\$490,209	\$4,179,100
1998	\$16,379,935	\$1,464,451	\$1,807,777	\$4,075	-	\$3,276,303	\$465,565	\$3,741,868

These numbers are produced from SFMA reports.

¹Includes revenues from negotiated sales, rights-of-way, permits, etc., in addition to timber sales.

²Expenditures for FY06 include \$213,783 that were billed to DSL that will be funded with a DSL grant for costs associated with Habitat Conservation Planning.

Table 2. Details of transfers out

Transfers Out	Amount
Admin prorate	\$771,556
Seed Orchard	\$32,666
Residual Equity	\$2,535
COP* Interest	\$38,103
COP Principle	\$56,944
Capital Improvement	\$35,133
Total	\$936,936

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 CSF lands to ensure fiscal accountability and appropriate exchange of information between sister agencies.

DSL and ODF have been working closely during the past year 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.



Long-Term Market Trends

The projection of the long-term trend is from the State Revenue Forecast which is based on projections from Global Insight Inc.

Over the next 4 years, log and sawtimber stumpage prices could remain relatively stable. Mortgage interest rates are projected to increase by up to 11 percent from 2006 levels, resulting in declining national housing starts over the next several years. However, strong demographics and a growing economy are forecasted to keep housing starts from declining more than about 9 percent from current levels. This will help uphold western lumber production, but plywood production will—sometime in the future—again struggle to remain at current levels due to expanding oriented strand board capacity outside the West.



Sawlog prices may not increase because of competition to Oregon's wood products from oriented strand board and engineered wood products, the potential increased raw log imports from Canada, wood product imports from the southern hemisphere, and declining panel and lumber prices, currently down 25 percent from 2005.

Downward price movement will be limited because housing starts are forecasted to drop only to historical trend levels from the increased levels of recent years, and because of a lack of federal timber availability and limited timber inventories on private land.

Export demand will remain weak with ever-increasing overseas competition. With relatively strong lumber production, supplies of mill residuals will be plentiful, further limiting the price of chips and roundwood.



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, the Department has 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 smaller sales of alder, and sales in which alder is the predominant species. Competition for alder remains steady and prices seem to be more consistent than conifer, at this time. There are no specific alder sales included in the FY 07 Annual Operations Plan. Common School Fund lands include a relatively small volume of alder, which is difficult to offer as a small, “unbundled” sale opportunity.



**Table 3. Historical Timber Harvest Value and Volume and Average Stumpage Price
Fiscal Years 1997 through 2006**

Fiscal Year	*Timber Sales Value of Timber Removed	Timber Harvest Volume (MBF) Removed	**Average Stumpage Price
2006	\$7,609,658	17,833	\$492
2005	\$20,080,172	42,106	\$477
2004	\$14,260,450	32,520	\$439
2003	\$10,992,972	24,310	\$452
2002	\$14,043,117	29,557	\$475
2001	\$19,231,816	36,621	\$525
2000	\$24,398,921	49,715	\$491
1999	\$20,089,447	38,019	\$461
1998	\$13,658,303	22,055	\$677
1997	\$16,186,164	24,976	\$691
Last 5-Year Average	\$13,397,274	29,265	\$467
10-Year Average	\$16,055,102	31,771	\$518

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

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

Table 4. Hardwood Volume and Value Information

FISCAL YEAR	Total # of Timber Sales	Total # Hardwood Bid Species Sales	Hardwood Volume Harvested	Hardwood Value Harvested
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

Management activities on state forests include regeneration harvests and partial cuts. Regeneration harvesting maintains a diversity of age classes and habitat types across the forest landscape, and produces forage and early successional habitats for many native wildlife species. ODF also uses thinning and partial cuts to manage stand density. Proper stocking levels in young stands enhance forest health and allow trees to progress towards mature and diverse stand characteristics at an earlier age, which may be important to many native wildlife species. Thinning provides an early economic return on investments in tree planting, site preparation and brush control.

The Elliott Forest Management Plan, Habitat Conservation Plan and state law, require all harvest and thinning activities include green tree retention, creation and retention of snags and downed logs, and protection measures for streams. Topography in the ESF and other coast range areas is often steep and dissected. Many areas in the ESF are classified as high landslide hazard locations. To minimize management induced soil movement, roads are generally located as close as possible to ridge crests, away from riparian areas. Erosion is minimized by full and single end suspension of logs, restricting road construction operations to dry the seasons, and hauling materials excavated from roads and landing construction to stable locations.



Timber Sales Sold During Fiscal Year 2006

During this fiscal year, 16 timber sales were sold that included CSFL. These sales are estimated to produce a total volume of 34.7 million board feet with a value of \$17 million. Six of the sales were from the Elliott State Forest, and will produce approximately eighty-five percent of the revenue from these sold sales. Revenue from these sales will be received over the course of a three-year period. Total project costs for these sales will be about \$734,809.01. These sales are listed in Table 5. All were recovery sales (paid for based on volume measured after cutting rather than in a lump sum payment on standing cruise volume).



Table 5. Common School Forest Land Timber Sales Sold in Fiscal Year 2006.

Sale Name	Sale #	ODF District ¹	CSFL % of Sale	Total Sale Volume (mbf)	CSFL Volume (mbf)	Acres Partial Cut	Acres CC	Total Project Cost	CSFL Project Cost	Net sale Value	Net CSFL Sale
McKnob	06076	ASTOR	1	19,515	195	818	247	\$654,244	\$6,542	\$4,500,256	\$45,002
Sagermeister	06029	ASTOR	11	4,675	514	252	4	\$203,651	\$22,401	\$2,437,037	\$268,074
Lone Deer	06019	COOS	71	2,751	1,953	0	49	\$42,884	\$30,447	\$1,402,830	\$996,009
Otter Creek Overlook	06004	COOS	100	2,219	2,219	0	46	\$18,234	\$18,234	\$1,182,968	\$1,182,968
Bowl Bound Beaver	06091	COOS	100	2,982	2,982	0	55	\$80,210	\$80,210	\$1,605,306	\$1,605,306
Trout Head	06083	COOS	100	3,088	3,088	0	56	\$39,754	\$39,754	\$1,563,579	\$1,563,579
Fish Divided	06069	COOS	100	11,061	11,061	0	169	\$72,609	\$72,609	\$6,979,075	\$6,979,075
Cougar Divided	06064	COOS	100	3,948	3,948	0	74	\$63,484	\$63,484	\$2,131,221	\$2,131,221
Kerby Peak	06032	SW OREG	100	447	447	86	4	\$37,641	\$37,641	\$101,554	\$101,554
South Burma	06015	TILL	44	11,368	5,001	448	163	\$525,480	\$231,211	\$2,568,736	\$1,130,244
Farest	06056	TILL	100	1,580	1,580	36	142	\$37,230	\$37,230	\$456,145	\$456,145
Greenback	06016	WEST OREG	26	1,777	462	280	0	\$152,216	\$39,576	\$273,501	\$71,110
Ellmaker Overlook	06001	WEST OREG	4	6,108	244	474	0	\$246,761	\$9,870	\$2,506,147	\$100,245
Mill Stone	06035	WEST OREG	2	659	13	65	32	\$65,894	\$1,317	\$123,602	\$2,472
Big Yaq	06003	WEST OREG	22	1,070	235	231	0	\$114,424	\$25,173	\$219,416	\$48,271
Tums Relief	06072	WEST OREG	14	5,657	791	370	0	\$136,474	\$19,106	\$2,880,121	\$403,216
TOTALS				78,905	34,736	3,060	1,041	\$2,491,190	\$734,809	\$30,931,502	\$17,084,499

This data is produced from an ODF in-house 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.

¹ASTOR=Astoria, COOS=COOS, SW OREG=SW OREGON, TILL=TILLAMOOK, WEST OREG=WEST OREGON

Summary of Active Timber Sales

There were twenty-one active timber sales on CSFL during FY 2006. The volume of timber harvested from Common School Forest Lands for these sales totaled 17.83 MMBF with a value of \$7.6 million (Table 3). This is significantly less than the amounts from FY 2005, which totaled 42.1 MMBF with a value of \$20 million. The key factors influencing the decrease in revenue are discussed in section “Financial and Asset Management” under revenue.

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). Project costs associated with active timber sales—work on roads, bridges, culverts, etc. accomplished in conjunction with timber sales—totaled \$333,766.

Table 6. Active Timber Sales on Common School Forest Land—Volume and Value Report for Fiscal Year 2006.

District	Sale No.	Sale Name	%CSFL	CSFL Timber Removed MMBF	Estimated CSFL Value
WEST OREGON	103010	DEER-SALMON THIN	19.0%	0.02	\$4,532
WEST OREGON	104002	LONG HAUL THIN	21.0%	0.23	\$49,519
WEST OREGON	104024	LONG TOM	100.0%	0.34	\$91,905
WEST OREGON	105006	THIN STEERE COMBINATION	60.0%	0.41	\$88,432
WEST OREGON	105034	DESOLATION SADDLE	100.0%	0.55	\$104,793
WEST OREGON	106001	ELLMAKER OVERLOOK	4.0%	0.19	\$87,650
WEST OREGON	106016	GREENBACK	26.0%	0.01	\$3,052
NORTH CASCADE	105032	COLD WASH THIN	40.0%	0.48	\$172,534
ASTORIA	103075	COUGAR MONSTER	18.0%	0.00	(\$335)
ASTORIA	104031	PROGENY RIDGE	4.0%	0.04	\$13,963
ASTORIA	106029	SAGERMEISTER	11.0%	0.02	\$12,508
TILLAMOOK	103029	SWISS MISC	11.0%	0.14	\$24,533
TILLAMOOK	106056	FAREST	100.0%	0.61	\$208,690
COOS	104073	BEARTOOTH TROUT NO. 2	100.0%	0.55	\$281,309
COOS	105002	JOE BUCK	100.0%	1.72	\$869,563
COOS	105003	EAST FORK MILLICOMA	0.4%	0.00	\$705
COOS	105004	TOTTEN CREEK NO 2	100.0%	0.14	\$67,507
COOS	105068	DRY STULLS	100.0%	3.36	\$1,781,236
COOS	105069	KELLY FISH OVERLOOK	100.0%	0.37	\$213,924
COOS	105074	BROWN RIDGE CORNERS	100.0%	1.35	\$702,897
COOS	105076	SALANDER TOP	100.0%	3.58	\$2,053,070
KLAMATH-LAKE	103092	SIDEROD	100.0%	3.71	\$777,660
FINAL Totals				17.83	\$7,609,657

*Value equals gross value of timber sales and forest products before project costs are subtracted.

Table 7. Fiscal year 2006 Timber Sale Modifications and Extensions on Contracts and Projects on Common School Forest Land.

SALE Number & Name	Modified	Narrative
<p>*341-05-32 BOF/CSL Cold Wash Thin Hampton Tree Farms, Inc. North Cascade District NWOA</p>	<p>July 19, 2005</p>	<p>Section 70, Project Work, Project No.1 “Construct” – Delete sentences “The two stream crossings on road segment F to H are designed for temporary summer use. These structures shall be removed from the stream prior to September 30 of each year.” Exhibit “B”, Additional Road Improvement Instructions. Page 3 of 3. Change the paragraph starting “The stream crossing at Station 23+66, Points G to H...” and the sentence stating “PURCHASER shall be responsible for removing the two culverts...” To: Construct a temporary log stringer bridge at the stream crossing...” Exhibit “E”: Add culvert No. 1b and delete culvert No. 2. STATE agrees to credit PURCHASER’s timber account in the sum of \$1,000 upon completion of and STATE’s acceptance of all work.</p>
<p>*341-05-06 BOF/CSL Thin Steere Combination Swanson Group, Inc. West Oregon District (NWOA)</p>	<p>September 8, 2005</p>	<p>Two slides need repaired, B22-B25 Road and Point B to B2. Section 71, Project work, Project No. 2 add specifications for repair of slides. STATE agrees to credit PURCHASER’s timber account \$7,395.00 upon completion.</p>
<p>*341-05-32 BOF/CSL Cold Wash Thin Hampton Tree Farms, Inc. North Cascade District NWOA</p>	<p>October 21, 2005</p>	<p>Section 55, Designated Timber, Add Area IV to “Felling” and “Thinning Specifications”. Section 55, Designated Timber, deletion of removing all logs from Area IV when the R/W logs from Area V are hauled. Section 57, Felling, Add Area IV. Section 64, Progressive Operations, add the moving of firewood in Area IV. Section 70, Project work, add Project No. 6 – fell and skid trees on Area IV. Section 71, Completion of Projects, add project No. 6 to be completed prior to contract expiration date. Section 72, Credit for Project Work, change total dollar amount of credit from \$38,848 to \$52,420 and all partial credit amounts accordingly.</p>
<p>*341-05-06 BOF/CSL Thin Steere Combination Swanson Group, Inc. West Oregon District NWOA</p>	<p>December 14, 2005</p>	<p>Section 71, Project work -Add Project No. 5 Section 72, Completion of projects -Add completion date of 12/31/06 STATE agrees to credit PURCHASER \$1,414.00 upon completion.</p>
<p>*341-05-06 BOF/CSL Thin Steere Combination Swanson Group, Inc. West Oregon District NWOA</p>	<p>February 27, 2006</p>	<p>Section 44 – Log Prices – Change Utility (pulp) logs, adjusted gross scale (if sold by scale) to \$10.00 and Utility (pulp) logs, adjusted gross scale (if sold by weight) to \$30.00 per weight log load receipt (yellow receipt)</p>
<p>*341-03-92 CSL Siderod Columbia Forest Products Klamath-Lake District EOA</p>	<p>Extend to: December 31, 2005 Date Granted: September 19, 2005</p>	<p>Per Section 26, Extension of time: From: October 31, 2005 To: December 31, 2005</p>

SALE Number & Name	Modified	Narrative
*341-04-24 CSL Long Tom Swanson Group, Inc. West Oregon District NWOA	Extend to: August 31, 2006 Date Granted: October 3, 2005	Per Section 26, Extension of Time Change expiration date From: September 30, 2005 To: August 31, 2006
* 341-03-92 CSL Siderod Columbia Forest Products, Inc. Klamath-Lake District SOA	Extend to: March 31, 2006 Date Granted: January 3, 2006	Per Section 26, Extension of Time Change contract expiration date From: December 31, 2005 To: March 31, 2006
*341-03-92 CSL Siderod Columbia Forest Products, Inc. Klamath-Lake District SOA	Extend to: October 31, 2006 Date Granted: March 9, 2006	Per section 26, Extension of Time Change contract expiration date From: March 31, 2006 To: October 31, 2006

FISCAL YEAR 2006

CSL

Extensions	-	4
Modifications	-	5



Planned Timber Sales

The 2007 sale plan includes 520 acres of regeneration harvest and 301 acres of partial cutting on CSFL (Table 8). The total estimated CSFL volume is 22.1 MMBF, with an estimated net value of \$8.3 million. Future revenue to the Common School Fund from these sales is likely to be received over a 2–3 year time period because of the length of each contract. Project costs of about \$505,377 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.



Table 8. Annual Operations Plans—Timber Sales on Common School Forest Lands in FY2007.

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
ASTORIA	Hamlet	39	4,800	1,872	27	28	\$1,619,250	\$28,470	\$603,038
COOS	Joe Knife	100	3,024	3,024	54	0	\$1,356,210	\$50,083	\$1,306,127
COOS	Piledup Marlow	33	2,608	861	22	0	\$1,156,600	\$26,400	\$355,278
COOS	Western Knife	64	5,400	3,456	54	0	\$2,413,000	\$25,600	\$1,518,720
COOS	Umpcoos Ridge	100	2,753	2,753	49	0	\$1,233,920	\$44,400	\$1,189,520
COOS	West Fork Headlands	100	2,304	2,304	60	0	\$1,025,750	\$40,000	\$985,750
COOS	Little Salamander	100	3,559	3,559	64	0	\$1,598,235	\$80,000	\$1,518,235
KLAMATH-LAKE	Lame Beavers	100	1,100	1,100	119	0	\$203,300	\$7,500	\$195,800
N. CASCADE	Gates Hill	10	3,400	340	16	8	\$1,099,500	\$7,370	\$102,580
SOUTHWEST OREGON	Galice	100	110	110	0	20	\$25,100	\$1,000	\$24,100
TILLAMOOK	Juno Bay	17	2,700	459	42	7	\$628,600	\$44,974	\$61,889
WEST OREGON	Table Mountain	100	600	600	0	65	\$150,000	\$34,000	\$116,000
WEST OREGON	Spilde Over	38	1,700	646	13	30	\$460,000	\$41,040	\$133,760
WEST OREGON	ReHatch	18	1,100	198	0	17	\$275,000	\$16,020	\$33,480
WEST OREGON	Miller-Deer	28	2,600	728	0	112	\$585,000	\$53,200	\$110,600
WEST OREGON	Burnt Black	4	1,800	72	0	12	\$405,000	\$5,320	\$10,880
TOTALS			39,558	22,082	520	301	\$14,234,465	\$505,377	\$8,265,756

Reforestation and Intensive Management

Intensive management activities (Table 9) represent an investment to increase the volume and/or quality of timber. These investments result in increased harvest revenue and improved habitat for many late seral habitat-dependent fish and wildlife species – species requiring older forest habitat.

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 often results 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 ground on schedule, while an excess may allow the planting of an available area a year ahead of schedule. 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, fertilization, and pruning 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. Due to circumstances, such as high fertilizer costs, a project may be cancelled or postponed, and funds shifted to accomplish higher priority or more cost effective activities. Noxious weed control is usually done concurrently or as an opportunity with other vegetation management projects.



Table 9. Intensive Management Activities on Common School Fund Lands in FY 2006.

Management Activity	Acres Planned	Acres Completed	Average Cost*/ Acre	Total Cost
Initial Planting	910	989	\$122	\$121,073
Interplanting	4	397	\$69	\$27,469
Underplanting	-	33	\$119	\$3,927
Tree Protection- Barriers	204	105	\$111	\$11,698
Tree Protection- Direct Control	1,461	1,349	\$37	\$49,726
Site Prep- Chemical -Aerial	655	718	\$69	\$49,716
Site Prep- Chemical -Hand	30	-	0	\$0
Site Prep- Slash Burning	152	52	\$18	\$922
Site Prep- Mechanical	12	4	\$269	\$1,076
Fertilization	-	-	0	\$0
Noxious Weeds *	1732	637	\$24	\$15,307
Release- Chemical- Aerial *	40	127	\$68	\$8,722
Release- Chemical- Hand	11	29	\$85	\$2,465
Release- Mechanical- Hand	-	-	0	\$0
Pre-commercial Thinning	334	350	\$84	\$29,420
Totals	5,545	4,790	\$67	\$321,521

* During data analysis acreage reported by one of the districts for noxious weeds was inadvertently entered as aerial release, requiring recalculation of both noxious weed and aerial release data.

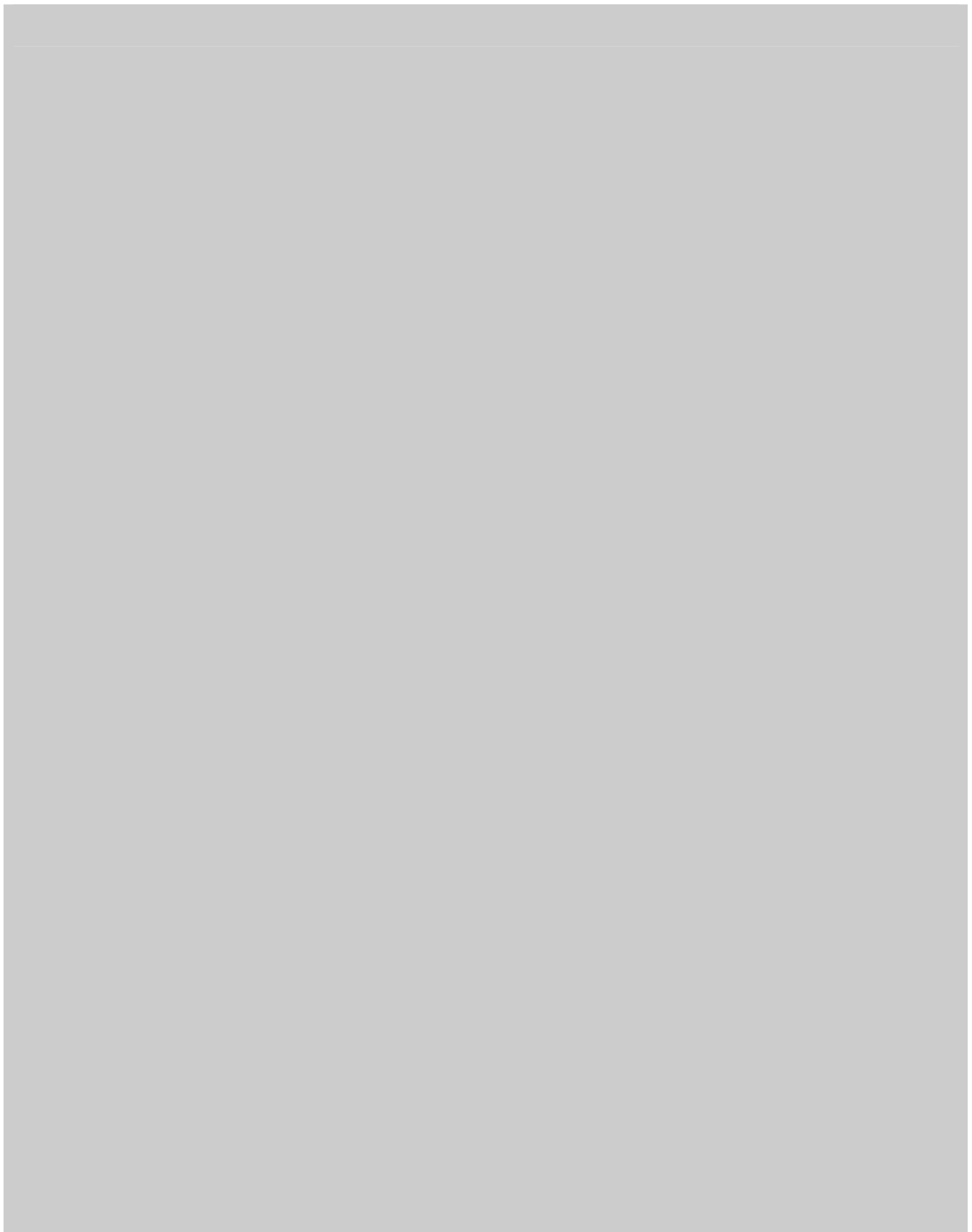
Public Involvement

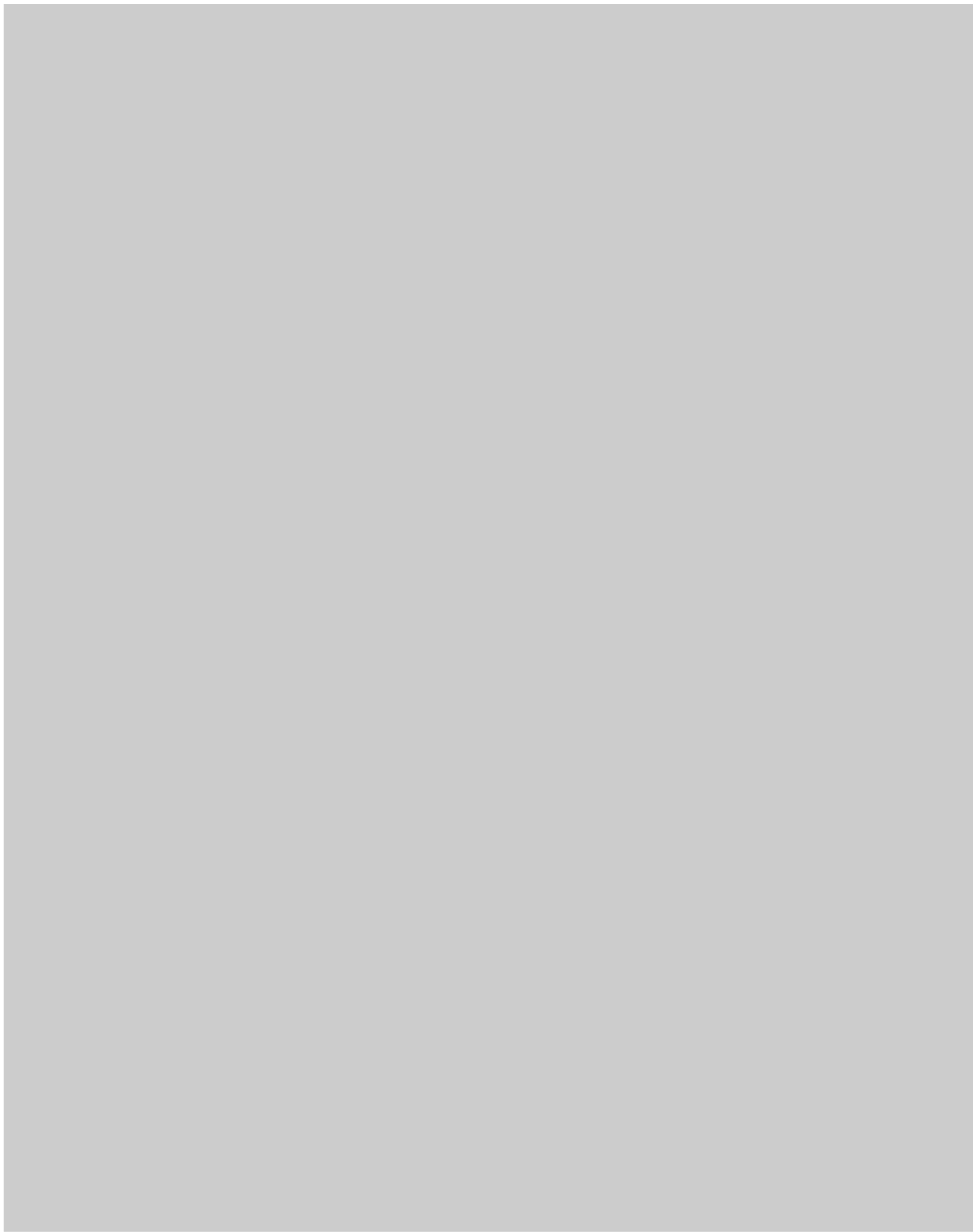
Each year, the public is invited to comment on the annual operations plans on state-managed forestlands. The 45-day comment period for FY 2007 was held from Feb. 15 to March 31, 2006. After public comments have been considered and any changes made, district foresters approve the annual operations plans for their districts by June 30. Annual operations plans are available at each district office, area ODF offices and the 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).
- Improving the efficiency and effectiveness of an annual plan or planned operation.







Section II. All State Forests Lands

Forest Management Activities on All State Forests Land

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.

Elliott State 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 2006. 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), the Coos County Commission, the South Coast Education Service District, and a core team comprised of technical specialists from ODF and ODFW.

The first draft of the revised FMP was completed May 2004, and public input was sought at three public meetings in Salem, Roseburg and Coos Bay. The final draft of the FMP was completed by the planning team in September 2005 and made available for public 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.

In January 2005 a cost/benefit analysis comparing state management of the Elliott to sale of the forest to private interests was completed. Direction to conduct the study was included in a budget note from the 2003 Legislature. This analysis is being used as a benchmark for the economic outputs of the revised FMP/HCP.

During FY 2006 the planning team continued development of the revised, multi-species HCP for the Elliott State Forest, exclusive of scattered tracts. The HCP strategies are based on the revised FMP, and have been developed to minimize and mitigate the effects of the authorized incidental take associated with forest management. The revised Elliott HCP is intended to include the northern spotted owl, marbled murrelet, and bald eagle. Other species at risk for listing that are known to inhabit the Elliott State Forest, and for which there is suitable scientific knowledge, are also being considered for inclusion in the revised Elliott HCP.

Considerable progress was made in 2005/2006 regarding HCP negotiations with the federal agencies (United States Fish and Wildlife Service (USFWS) and National Marine Fisheries Service (NMFS)), with substantial agreement on HCP strategies being reached in May. In general, there is agreement at the negotiating team level that we can move forward with the strategies in the draft HCP. In late

June 2006, a draft HCP was delivered to the contractor working with the planning team to develop the draft Environmental Impact Statement (DEIS).

The anticipated date for the federal decision on Incidental Take Permit (ITP) issuance is fall 2007, after completion of the National Environmental Policy Act (NEPA) process. The current timeline for requesting SLB and BOF approval of the revised FMP and HCP is late 2007, after the federal decision.

Environmental Analysis (NEPA Process)

Obtaining an ITP requires participation in the NEPA process. This includes public scoping, developing a DEIS, public review, a final EIS and obtaining a favorable Record of Decision. Negotiations with the federal services on the new HCP are also a part of this process. A contractor (Jones & Stokes) was hired in late 2004 to write the EIS and help the agencies through the NEPA process. The contractor, a large environmental consulting company, has previous experience with the NEPA process through forest HCPs as well as other types of projects requiring environmental analysis.

Scoping meetings were held on May 24–26, 2005 at Roseburg, Coos Bay and Salem. This was essentially the first step in the NEPA process and helped identify the alternatives that are being analyzed in the DEIS. The contractor received a draft HCP in June 2006, and has begun to develop the DEIS. This DEIS is scheduled to go out for public review in January 2007, along with the draft HCP. The final EIS is expected to be available in mid-2007.

Implementing Agreement

A final piece of the process will be developing an implementing agreement between the State and the federal agencies. The Department of Justice will work with the planning team and federal solicitors to complete this agreement before the ITP is issued.

Implementation Plan

The district has developed an initial draft of the 10-year Implementation Plan (IP) for the revised FMP/HCP. This draft was made available along with drafts of the proposed FMP and HCP at public meetings held in September 2005 at North Bend and Roseburg.

Forest Modeling

The proposed landscape strategy has been modeled to help determine how well the strategies will achieve the goals for the forest. Inventory data being used in the model is good quality, with much of the existing data collected during the last five years. In addition to the draft Integrated Landscape Strategy, other management scenarios have been modeled. These scenarios range from an emphasis on conservation to an emphasis on timber production. Outputs for all models are being used in the impact analysis in the EIS.

Public Involvement

Public involvement activities associated with the FMP and HCP planning process continued in 2005/2006. In September 2005 public meetings were held in North Bend and Roseburg to obtain comments on the final draft of the FMP. At these meetings, the final draft FMP, draft HCP, and draft Implementation Plan (IP), were made available to the public. Several viewpoints were represented in the comments at these meetings ranging from producing more revenue for the Common School Fund to providing more protection for other forest resources such as owls,

murrelets and streams. All comments were reviewed by the planning team and responses were provided to those who attended the meetings and posted on ODF's website. The draft HCP and DEIS will be made available for public input in January 2007. This public input process is part of federal NEPA requirements.

Coordination with Federal Services

The US Fish and Wildlife Service (USFWS) and National Oceanic and Atmospheric Administration (NOAA) Fisheries have been involved at various points throughout the process. Biologists from the Services have been in regular attendance at the Core Team meetings to provide input from their perspective and to maintain a connection with the planning process. A good working relationship exists among the Core Team and federal biologists. HCP negotiation meetings with the federal services began in September 2004 and substantial agreement on strategies was reached in May 2006. Additional meetings and discussions will take place during the last half of 2006.

Other Elliott State Forest Activities during FY2006

1. Marbled Murrelet Protocol Surveys

In 2005, 306 surveys were completed at 174 stations representing 37 survey sites on the Elliott State Forest. These 37 sites represented 11 planned timber sales. Detections were recorded during 61 surveys at 23 different sites with three surveys recording sub-canopy behavior. Of the surveys with significant, sub-canopy detections, all were associated with protocol surveys of three planned sales.

Summarizing the protocol sale surveys, a total of 78 acres were mapped as occupied with one new Marbled Murrelet Management Area (MMMA) designated (Larson Bottom) totaling 78 acres. Of these total acres, 44 were previously classified as conservancy areas for other purposes. Four sale units were released for sale preparation after no significant detections were observed in protocol surveys. The 2006 surveys began in May and ended Aug 5.

2. Oregon Plan for Salmon and Watersheds

The following activities were accomplished during the 2006 fiscal year under the Oregon Plan for Salmon and Watersheds:

- There were seven sales completed during the reporting period where additional trees were retained along stream buffers under ODF Harvest Measure 62 for the Oregon Plan.
- The Coos District cooperated with the Coos Watershed Association to complete two large in-stream wood placement projects in Elk Creek and in the West Fork Millicoma River. On Elk Creek phase I of a fish passage improvement project at a bedrock cascade was completed and phase II will take place in the summer of 2006. In addition a large conifer tree was placed into Marlow Creek for habitat improvement after falling across a mainline forest road.
- A large culvert on a tributary of Elk Creek and a culvert on Bickford Creek were replaced to improve fish passage.
- Coos District continues to have voting board members on the Coos Watershed Association and the Tenmile Lakes Basin Partnership.



The picture on the left shows Elk Creek before a culvert was replaced. The picture on the right shows that same area after the culvert was installed.



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 3% of the total state forest land managed under the northwest and southwest Oregon state forest plans.

Forest Management Planning

District Implementation Planning

The State Forester approved implementation plans (IP) for the districts included in the Northwest Oregon and Southwest Oregon State Forests Management Plans (Astoria, Forest Grove, Tillamook, Cascades, West Oregon, Western Lane, and Southwest Oregon Districts) in March of 2003. Each IP describes the management approaches and activities for the ten-year period from July 1, 2001 through June 30, 2011.

The Harvest and Habitat Modeling Project was completed in February 2006. The project developed spatial forest models to inform adaptive management discussions related to the NW & SW Forest Management Plans, and to assist ODF decision-makers in establishing short-term harvest levels and possible subsequent modifications to IPs. The Board of Forestry and ODF decision-makers requested additional model runs to refine the information needed for such decisions.

Western Oregon Habitat Conservation Plan

Planning efforts on the Western Oregon Habitat Conservation Plan (HCP) have focused this past year on participating in the modeling efforts related to the Harvest and Habitat Modeling Project. Project results were published in March 2006. Both preliminary and final outputs have been used throughout the year to assist the ODF, FTLAC, BOF and the general public to better understand the economic and environmental strengths and weaknesses of the modeled management alternatives.

The two alternatives included in these discussions are based on the NW and SW FMP, and model the implementation of two federal ESA compliance options: 1) program-established take avoidance standards; and 2) draft HCP standards. The model outputs suggest modest differences in the economic outputs between these two alternatives. These modeling results, and additional input from stakeholders, have lead the Board of Forestry to request supplementary information for focusing their discussions, such as information related to federal Endangered Species Act and various options available.

In June 2006, the State Forester directed the program to explore two aspects of the FMP species-of-concern strategy. The first aspect was to “explore alternative strategies for ‘species of concern’ that produce a favorable biological result on the ground.” Currently, the FMP species-of-concern strategy discusses negotiating an HCP, but does not describe the specifics of this strategy were it to be programmatically implemented. A recommended, program-developed species-of-concern strategy that might be selected could be used for possible modification of the FMP should the decision be made not to pursue an HCP. The second aspect of the State Forester’s direction was to review the current draft HCP strategies. This review would consider current operational and biological information, including knowledge of owl locations on state forestlands in the Northwest, and modeling outputs.

A workgroup of Salem and Area biologists, and Salem and District staff was formed to develop strategy recommendations. The work group will also be seeking input from Oregon Department of Fish and Wildlife and stakeholders during this process that will extend until the end of year 2006. Meetings with the federal services regarding the HCP have been scheduled to resume in September 2006.

Public Involvement

The State Forests Program proactively involved the public in the successful implementation of its forest management and recreation plans. This was achieved through a standing advisory committee comprised of diverse interests, referred to as the State Forests Advisory Committee. The program also conducted a public comment period for its proposed annual operations plans (AOPs) scheduled for the coming fiscal year that begins in July, 2006. There were also advisory committees that advised district staff on important recreation issues and activities.

The 2007 AOP Public Comment Period provided an opportunity for the public to review the AOPs, ask questions and offer comments. An annual operations plan 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. The program sought public input for the purpose of receiving feedback that helped to: clarify the AOPs; improve consistency with the long range FMPs and IPs; and identify any new information that could affect a planned operation or improve its efficiency or effectiveness.

The plans for each of the nine districts with ODF-managed State lands, along with maps showing locations of planned activities, were posted on the ODF website. The Annual Operations Plans underwent a 45-day comment period (February 15 through March 31). Districts responded to each of the summary comments, which were then posted on the Oregon Department of Forestry website.

The State Forests Advisory Committee met nearly every other month to engage in ongoing discussions regarding operational activities or issues, including the following:

- Annual operations plan reviews;
- Multi-stakeholder dialogues processes for topics that went beyond the operational level, such as adaptive management and Swiss Needle Cast research results;
- Clatsop State Forest field trip focused on a range of harvest activity, reforestation, hardwood stands and recreation development; and
- Harvest and Habit Model Project updates.

Sun Pass State Forest—Klamath-Lake District

The Sun Pass State Forest in Klamath-Lake District is comprised of 6,403 acres of Common School Forest Lands and 26,862 acres of Board of Forestry lands. These lands are managed under the Eastern Region Long Range Forest Management Plan, adopted in 1995.

Interpretive and Education Activities

During FY06 the district issued a 5-year Special Use Permit to the Klamath Outdoor Science School (KOSS) to develop and operate an outdoor science school in Sun Pass State Forest. KOSS intends to provide community outdoor science education that highlights the unique features of the Upper Klamath Basin, serving primarily the youth of the region. KOSS completed the construction of two 30' diameter yurts to serve as sleeping quarters for the students. They also completed 8 weeks of classes for 4th to 6th grade students. In total, over 500 students, parent chaperones, and teachers attended. Forest Ecology and Management is a required module for all attendees, as is an introduction to the Oregon Department of Forestry and Sun Pass State Forest.

Bull Trout Restoration

The District has begun to work in cooperation with Crater Lake National Park and Rogue River Ranch on Bull Trout restoration in Sun Creek. Crater Lake National Park has been working on protection of federally threatened bull trout in Sun Creek for 14 years. A Recovery Plan for Bull Trout in the Klamath Basin identified a two phase recovery strategy: phase I - secure headwater populations, and; phase II – expand distribution downstream and provide connectivity between populations to reduce the risk of extinction from a catastrophic event such as fire or flooding, or from genetic isolation. The present bull trout population is resident in nature, living their entire life history in the headwater section within the National Park. A migratory component of the population presumably once occurred, where juvenile bull trout moved downstream into the Wood River or Agency Lake, grew to a large size, and returned to headwater tributaries to spawn. The Sun Creek bull trout are expanding in number and distribution within the Park due to recent restoration efforts and some will likely be moving downstream onto Sun Pass State Forest land in the near future. At present, bull trout are not likely to persist downstream due to the presence of introduced brook trout and unscreened water diversions for agriculture. Restoration alternatives to be considered for lower Sun Creek will include non-native fish removal, construction of fish barriers capable of

preventing upstream migration of non-native fish, stream channel restoration, screening water diversions to prevent fish entrainment, and improving reliability and delivery of water for irrigation.

The above two projects occur on Board of Forestry lands and do not involve any funding from the Common School Fund. On Common School Forest Lands in the Yainax tract, the District continued treatment of a musk thistle infestation. Hand spraying of 587 acres was conducted at a total cost of \$13,600. This program will be continued in 2007.

Stand Level Inventory on all State Forests

The Stand Level Inventory (SLI) is a forest inventory developed by ODF. The SLI provides site-specific information on trees, downed wood and non-tree vegetation (herbs-shrubs-grasses) on state forestlands. It is a primary source of information for operational intensive management planning and decision making, harvest scheduling, monitoring, watershed assessment, wildlife habitat suitability assessment, and stand structure classification.

Forest-wide SLI information is derived using a double-sampling based approach. Just as a sample of trees in a stand is expanded to represent estimates of all trees in the stand, a sample of stands may be measured and expanded to represent estimates of all stands in the forest. The long-term SLI goal is to measure and maintain at least 50% of all stands (County Forest Trust Lands [CFTL] and Common School Forest Lands [CSFL] combined) with recent inventory sampling. Stands to measure are chosen to meet anticipated needs for information for pending operations, and to maintain a proportional balance of measurements across the range of stand types identified in the inventory.

Stands are differentiated on the basis of timber species, timber size, and stand tree density. Where CFTL and CSFL lands are adjacent, individual stands may include both classes of ownership. In order to report accomplishments and inventory status by ownership class, each SLI stand is categorized by using the ownership class having the majority of acres. Table 10 below shows the SLI status as of June 2006 for all stands, and Table 11 shows the summary for the CSFL ownership class only.

Table 10: SLI status of all ownership classes as of June 2006:

State Forest Districts	Total Stands	Stands with Recent Samples	Percent of Stands with Recent Samples
Astoria	1,461	708	48%
Forest Grove	1,242	708	57%
Tillamook	1,850	619	33%
West Oregon	949	450	47%
North Cascade	767	367	48%
Western Lane	358	183	51%
Southwest	289	162	56%
Coos	2,138	1,237	58%
Klamath-Lake	302	258	85%
Total	9,356	4,692	50%

Table 11: SLI status of The CSFL ownership class as of June 2006:

State Forest Districts	CSFL Stands	CSFL Stands with Recent Samples	Percent of CSFL Stands with Recent Samples
Astoria	23	6	26%
Forest Grove	10	3	30%
Tillamook	88	22	25%
West Oregon	202	92	46%
North Cascade	20	12	60%
Western Lane	25	15	60%
Southwest	128	88	69%
Coos	1,938	1,123	58%
Klamath-Lake	83	76	92%
Total	2,517	1,437	57%

ODF conducts annual stand sampling projects in order to meet the measured stand goal. SLI cruises were completed for 827 stands (8.8% of all stands) during the latest annual project from July 2005 through June 2006. 209 of these newly measured stands (8.3% of the CSFL stands) are in the CSFL ownership class.

During FY 2006, Tillamook District completed a stand boundary re-delineation project. The District undertook the project because prior stand delineation featured too much within-stand variation in tree characteristics. Though the mean estimates were useful for reporting on broad scales, the variation caused the information to be less useful for operational site-specific planning and decision making. No new SLI sampling was conducted for the July 2005 through June 2006 period since the stand boundary work had to be finished before any new inventory cruising work was done. The stand boundary project has been completed and sampling is slated to resume in the next annual SLI sampling project.

The number of SLI stands in Tillamook has increased from 1,850 to 5,759 as a result of the boundary re-delineation (5,166 of the stands are suitable for SLI sampling methods). Much of the previous sample work is applicable to the new stand configuration, but a rebalancing of samples within many stands is necessary. Addition of more samples during future projects is a priority. Preliminary estimates indicate that by December 2007, about 22% of the newly delineated stands that are suitable for SLI sampling will have measured samples. The number of measured sample stands will have increased from the current 619 to an estimated 1,120.

Recommendations following completion of the Harvest & Habitat modeling project of 2006 (H&H) included adoption of improved SLI measured to non-measured stand sample assignment methods; a transition from the current strata-based assignment approach to what's known as "nearest-neighbor" assignment, or "imputation" for short. Imputation offers the advantage of reducing estimation errors for non-measured stands by eliminating the effects of within-strata variation. Work by ODF to incorporate imputation into SLI is in progress. Along with the adoption of imputation,

ODF will continue to evaluate requirements and expectations for uses of SLI information, particularly the efficacy of the double-sampling approach and associated goals for the percentage of measured stand sampling.

Table 12. Common School Lands Managed by ODF, Summary by County.

COUNTY	CSFL
BENTON	723
CLACKAMAS	113
CLATSOP	2,060
COLUMBIA	80
COOS	54,241
CURRY	2,597
DOUGLAS	34,566
JACKSON	2,062
JOSEPHINE	4,821
KLAMATH	6,827
LANE	1,762
LINCOLN	5,612
LINN	90
MARION	720
POLK	1,690
TILLAMOOK	5,584
WASHINGTON	250
YAMHILL	80
Grand Total	123,879

Source: Pcate Acres.mdb 8/25/2006

Department of State Lands and Oregon Department of Forestry

