

# WESTERN FORESTRY & CONSERVATION ASSOCIATION

## Should the State of Oregon Sell the Elliott State Forest?

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Executive Director

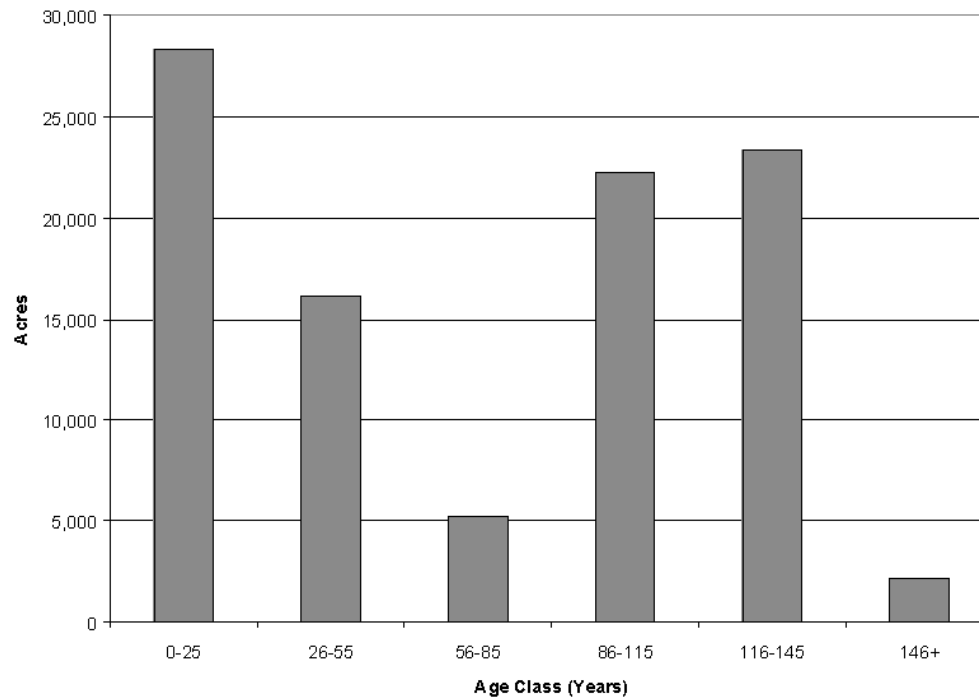
Douglas Timber Operators

A stylized silhouette of a mountain range in shades of teal, located at the bottom right of the slide.

# What is the Elliott State Forest?

- ◆ 93,000 Acres High Site Timberland  
near Coos Bay
- ◆ Origin, Stand Replacement Fire 1868
- ◆ 90% Common School Trust Lands
- ◆ Managed for the Maximum Income  
for Schools Over the Long Term

**Figure 2-4. Conifer Age Classes in the Elliott State Forest**



- ◆ 30% of the Forest is 116 – 145 Years Old
- ◆ 24% is 56 – 115 Years Old
- ◆ Standing Merch Inventory is Approximately 2.0 Billion Bd Ft
- ◆ Average Volume Per Acre on Merch Acres is 38 MBF

# Historical Management of the Elliott State Forest

- ◆ Prior to the 50's, Few Roads and Little Harvest
- ◆ 1958 First AAC Set at 36MMBF/Yr.
- ◆ Roads Were Constructed with Timber Sales
- ◆ AAC Raised to 44.6MMBF in the 60's
- ◆ Rotation Age Lowered from 100 to 90 Years
- ◆ AAC Raised to 47.1MMBF After Acquisition of 6,700 Acres
- ◆ AAC Raised to 50MMBF Recognizing Conversion of Alder Sites
- ◆ Listing of NSO 1990 Brought a Halt to Sales
- ◆ ODF Did Not Have a Take Avoidance Strategy

# Management Responsibility

- ◆ State Land Board
- ◆ Governor, Secretary of State and the State Treasurer
- ◆ The ODF Implements that Policy

# Trust Land Obligations

- ◆ 1992 Opinion by AG Charles Crookham 1992
- ◆ Manage Lands to Maximize Revenue
- ◆ Non-economic Factors may be Considered if Actions Maximize Revenue Over the Long Term
- ◆ Lands may be Temporarily Set Aside for Purpose of Banking an Asset
- ◆ If the SLB has a Rational, Non-speculative Basis for Concluding, it will Maximize Economic Return Over the Long Term

# The 1995 Habitat Conservation Plan for NSO

- ◆ Six Year Take Avoidance for Marbled Murrelets
- ◆ 55% Forest in 160 – 240 Year Rotation
- ◆ 45% Forest in 80 – 135 Rotation
- ◆ 23% Forest in No Touch Reserves
- ◆ Cut is 27MMBF Expecting Revenue of \$15MMBF/Year

# The New Proposed Plan and HCP

- ◆ Multispecies (Two are Listed, Marbled Murrelet & Northern Spotted Owl)
  - Eight Bird Species
  - Ten Fish Species
  - Four Mammals
  - Three Species of Amphibs & Reptiles
- ◆ Changes From Age to Characteristics of Stands
- ◆ Advanced Structure (Old Growth) 40 – 60%, Half is No Touch
- ◆ Intermediate Structure (Bastard Growth) 35 – 45%
- ◆ Early Structure (Reprod and Second Growth) 5 – 15%
- ◆ Cut is 40MMBF with Revenue of \$15MM/Year



# Modeling

- ◆ Work that ODF did for Douglas Timber Operators
  - ◆ Develop an Economic Baseline
  - ◆ Managing the Forest Under the OFPA
  - ◆ Demonstrate the Economic Tradeoffs
  - ◆ Take Avoidance Strategy Versus HCP

# Harvest Scheduling Patterns

- ◆ Maximize First 30 Year Harvest Over 150 Year Planning Horizon
- ◆ Use OFPA
- ◆ Ending Inventory Equal to that of a Fully Regulated Forest
- ◆ Use ODF Costs, Prices, Discount Rates
- ◆ Intensive Industrial Prescriptions
- ◆ 70 Acre Core Areas for 17 Pairs of Owls
- ◆ Murrelets No Reserves

# Annual Harvest at Various Rotations

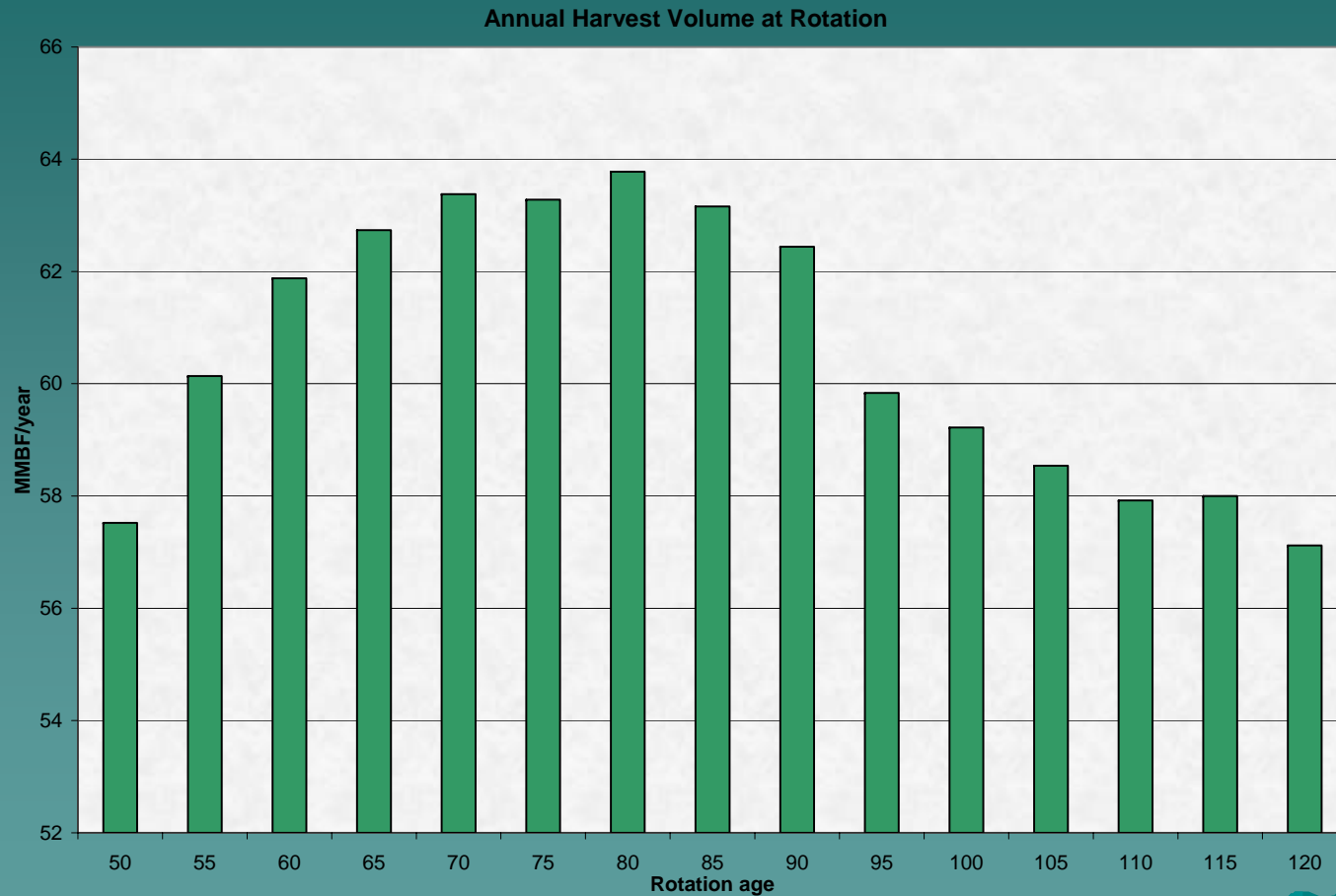


Figure 1. Long term sustained yield resulting from a regulated forest of different rotation ages.

# Minimum Inventory for Rotation

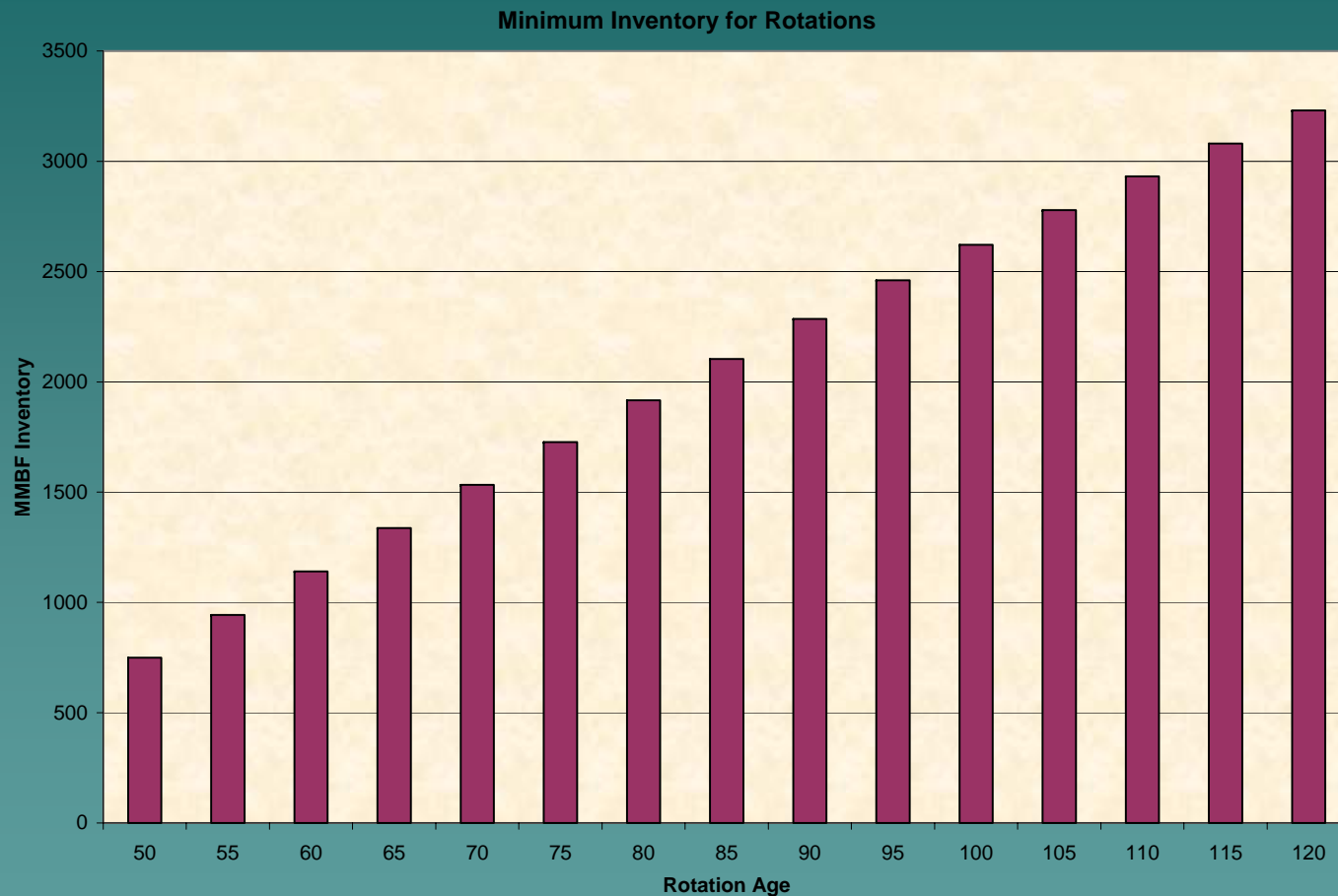


Figure 2. Standing inventory on the timber production base (after harvest basis) resulting from a regulated forest of different rotation ages.

Figure 3. Run #1: (a) Maximized 30 year (6 period) harvest level with the only control after 30 years being that the forest does not fall below an inventory equal to that of a 50-year old regulated forest and (b) the maximum non-declining flow that can be sustained over a 150 year planning horizon.

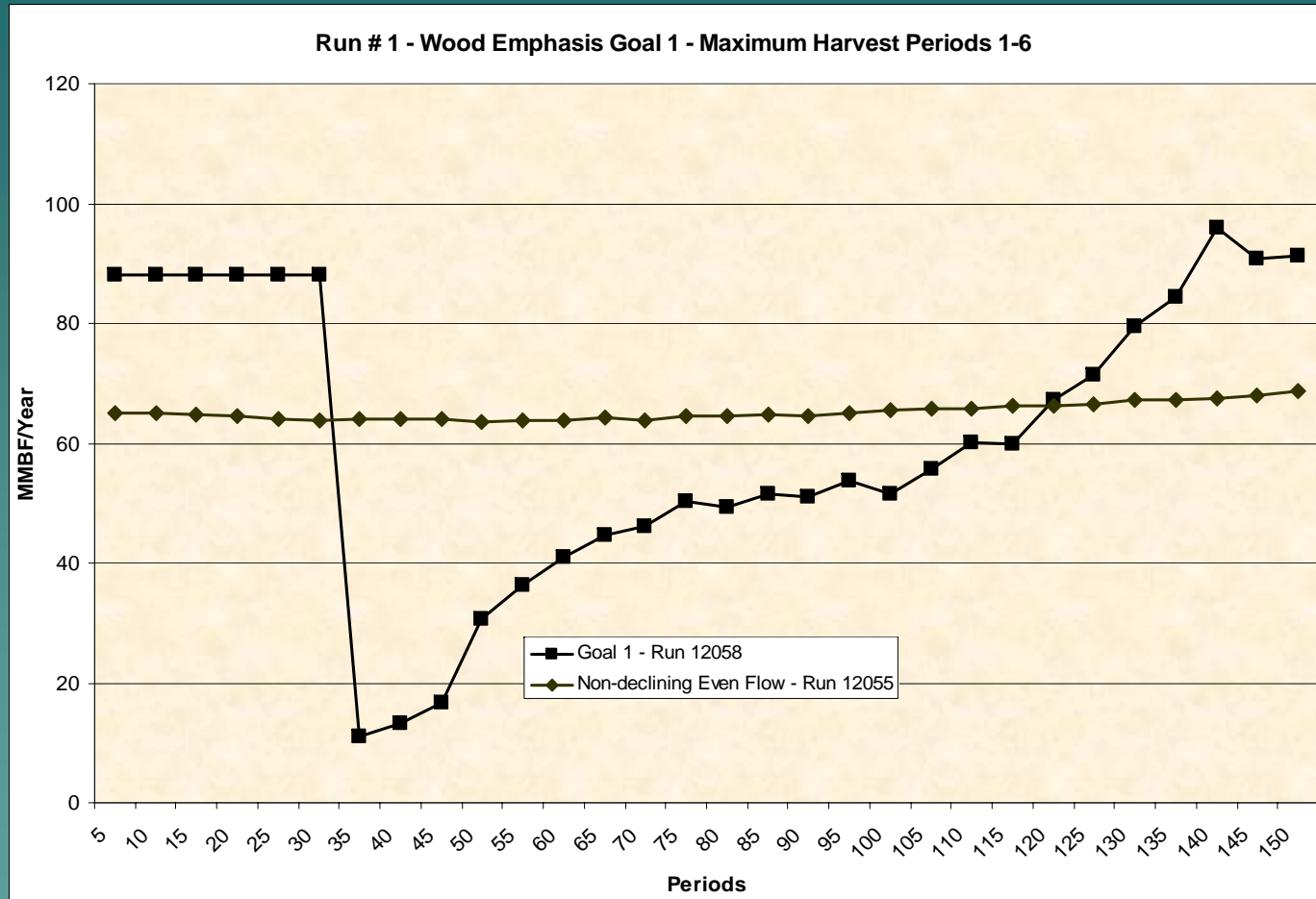


Figure 4. Run #2: Maximized harvest volume for 30 years (6 periods) with conversion to a 50 to 60 year future rotation over the first 30 years, non-declining flow thereafter. Inventory after conversion is held to regulated forest age.

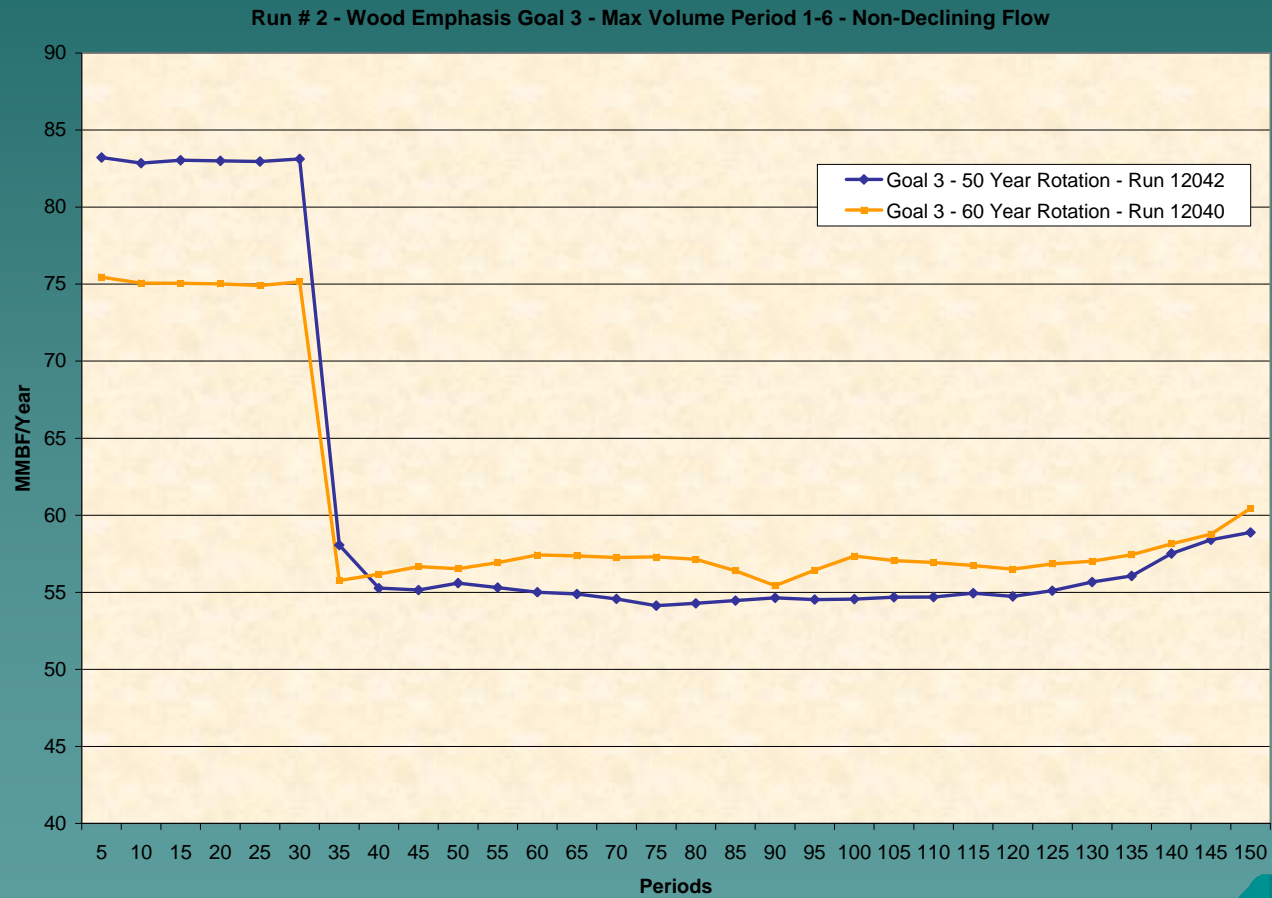
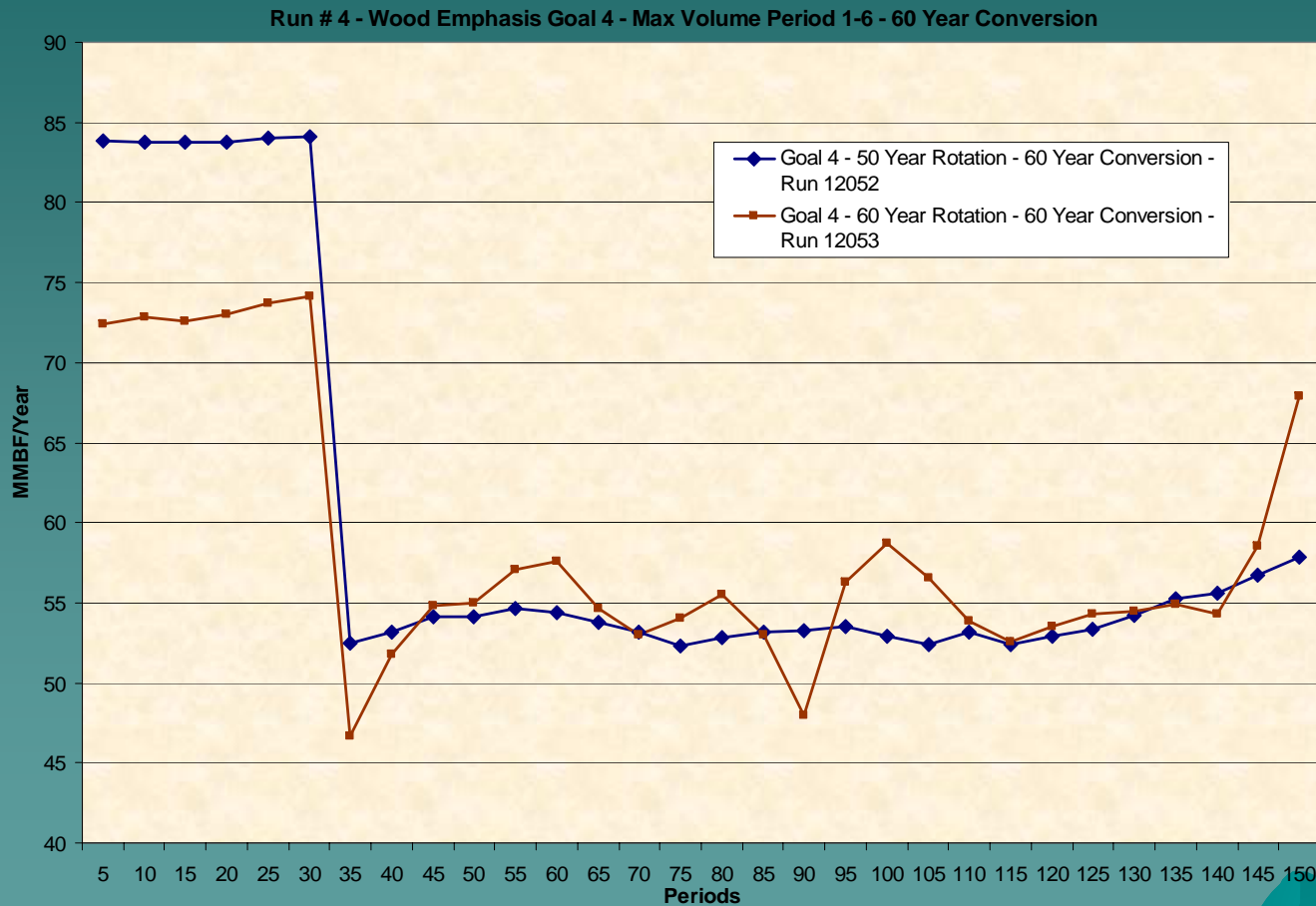


Figure 6. Run #4: Maximize harvest volume for 30 years (6 periods) with conversion to a 50 to 60 year future rotation in 60 years, permitting more period to period variation in the future stand harvests. Inventory after conversion is held to regulated forest age.



# Revised Parameters

- ◆ Maximize Harvest First 50 Years with 50 year Rotation
- ◆ Maximize Harvest First 50 Years with 70 Year Rotation and NSO 250 Acre Core

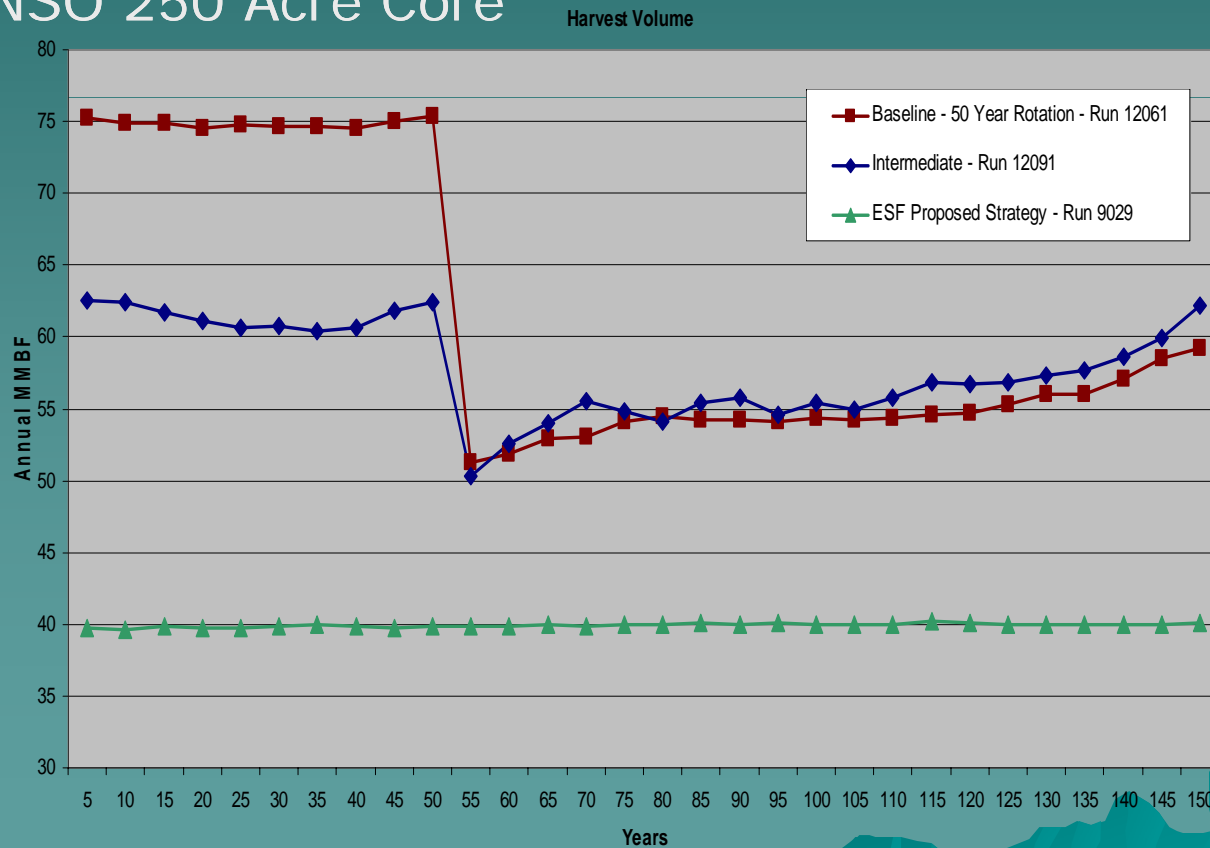




Figure 6. Annual net revenues over the 150 year planning horizon.

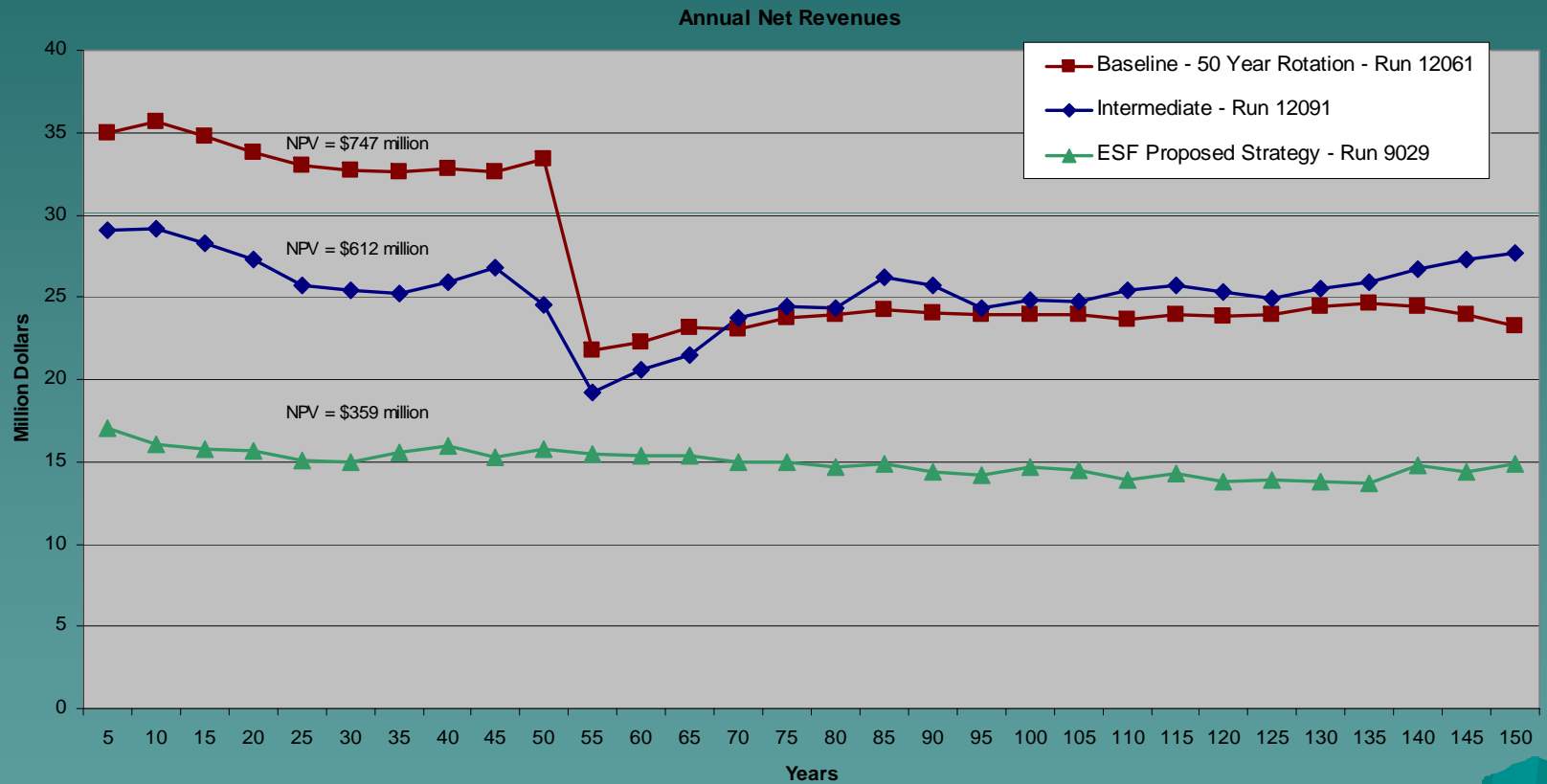


Figure 5. Forest inventory over the 150 year planning horizon on the District (93,000 acres)

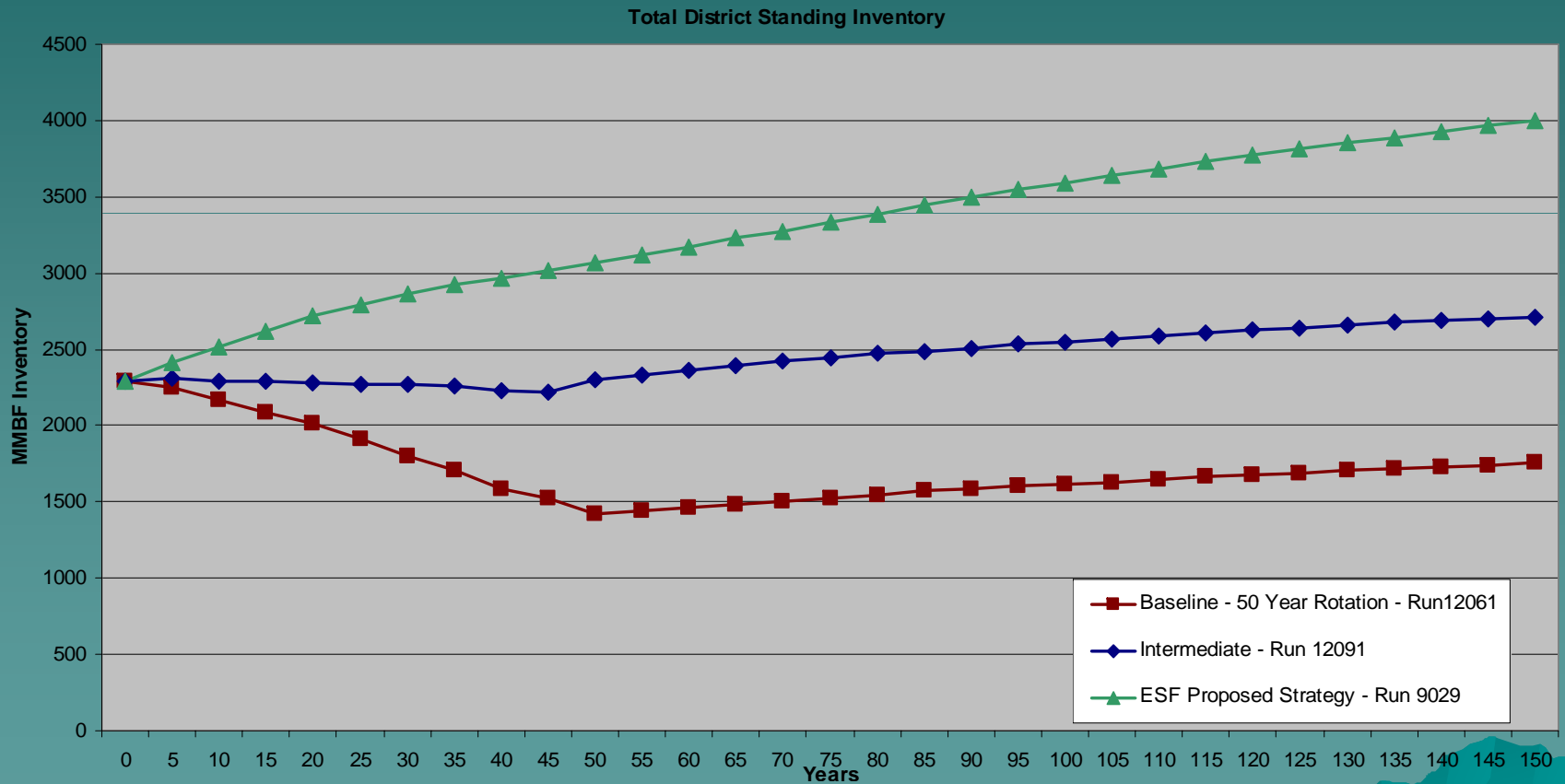
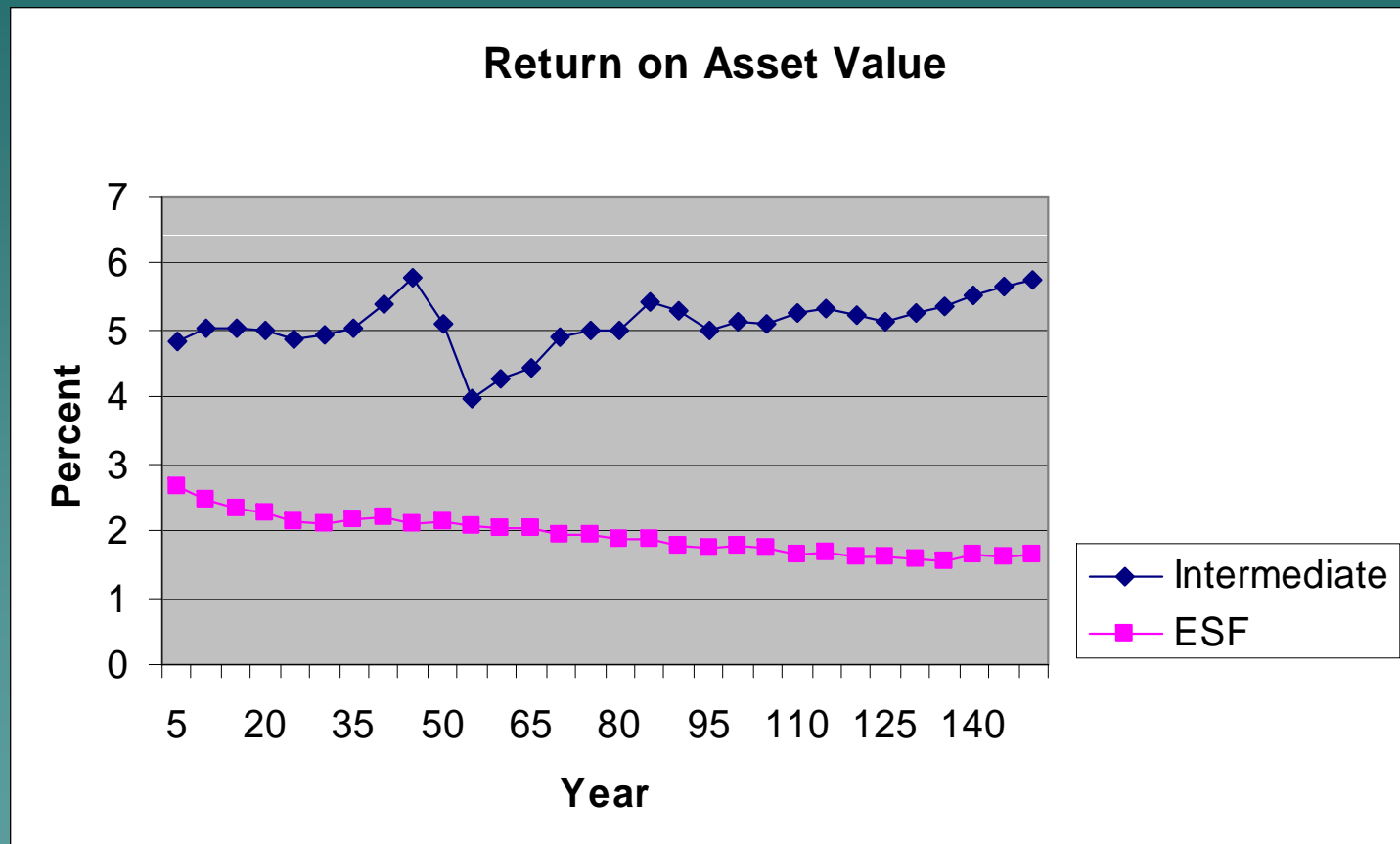


Table 3. Estimated return on asset value for the Intermediate Scenario and the Elliott State Forest (ESF) Proposed Strategy using a 4.5% discount rate to estimate market value of the asset.



# Revenue & Costs

FIGURE 1

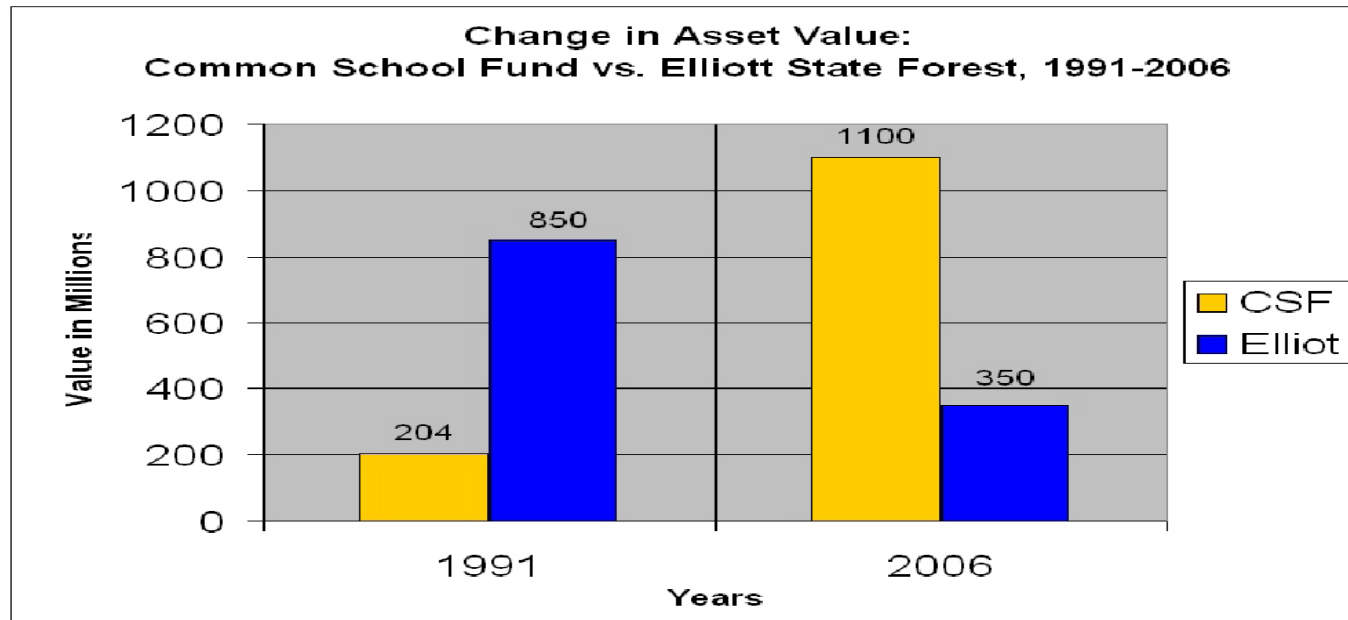
## Revenue and Costs from Common School Forest Lands due to Timber Harvesting

FY	Actual Revenue Transfer to CSF	Personal Service Cost (% of revenue)	Total Cost (% of revenue)
1998	\$16,379,935	8.9%	20%
1999	\$17,439,454	9.7%	24%
2000	\$24,377,943	7.73%	17%
2001	\$16,787,101	11.8%	25%
2002	\$13,671,493	14.5%	31%
2003	\$8,550,000	24%	52%
2004	\$15,360,073	13.9%	30.5%
2005	\$19,092,180	12.4%	26.8%

Source: DOF

In 1991 the Common School Fund had assets totaling \$204 million. During the next 15 years, the value of the fund more than tripled, even with twice-yearly payments to local school districts. Meanwhile, the estimated market value of the Elliott State Forest plummeted by 50% over the same period, largely due to management decision by DSL to withdraw much of the timber base from commercial harvest.

**FIGURE 8**



# Conclusions



# The Proposed Multi-species HCP

- ◆ 12,000 Acres for Northern Spotted Owls and Murrelets
- ◆ 9,300 Acres Riparian Areas
- ◆ 3,800 Acres for Steep Unique and Visual
- ◆ 27% No Touch Reserves
- ◆ Harvest Restrictions on the Balance
- ◆ PNV \$359 Million

# The Baseline Run (OFPA with Take Avoidance)

- ◆ 12,000 Acres No Touch Reserves (13%)
- ◆ PNV \$747 Million
- ◆ More Than Double the HCP



# The Intermediate Run

(OFPA with 70 Year Rotation and 250 Acre Core Areas)

- ◆ 15,000 Acre in No Touch Reserves (16%)
- ◆ PNV \$612 Million
- ◆ 1.7 Times More Valuable Than HCP

- ◆ Clearly Managing the Elliott Under the Proposed HCP Provides a Poor Return for Oregon's Schools.
- ◆ Should the Elliott be Sold and Let the Oregon Investment Council Manage the Proceeds?