Minutes
Board of Natural Resources Meeting
March 4, 2014
Natural Resources Building, Olympia, Washington

BOARD MEMBERS PRESENT
The Honorable Peter Goldmark, Washington State Commissioner of Public Lands
The Honorable F. Lee Grose, Commissioner, Lewis County
JT Austin, Designee for the Honorable Jay Inslee, Washington State Governor
The Honorable Randy Dorn, Superintendent of Public Instruction
Ron C. Mittelhammer, Interim Dean, College of Agricultural, Human, and Natural Resource Sciences, Washington State University—via conference call

BOARD MEMBERS ABSENT
Thomas H. DeLuca, Director, School of Environmental and Forest Sciences, University of Washington

1 CALL TO ORDER
Chair Goldmark called the meeting to order at 9:00 AM. All board members introduced themselves. Chair Goldmark noted there is a quorum for this meeting, with Dean Mittelhammer participating via conference call.

2 SAFETY REVIEW
Ms. Vansot gave a safety overview and instruction on evacuating the building in case of an emergency.

3 APPROVAL OF MINUTES
Chair Goldmark called for approval of the minutes for the February 4, 2014 Regular Board of Natural Resources Meeting.

MOTION: Ms. Austin moved to approve the minutes.
SECOND: Commissioner Grose seconded the motion.
ACTION: The motion was approved unanimously.

4 PUBLIC COMMENTS FOR TIMBER SALE ACTION ITEMS
Karen Lewis, speaking on behalf of the marbled murrelet, expressed that by cutting down all the trees the marbled murrelet’s habitat will be impacted. Ms. Lewis stated that all the trees will be sold for dollars and this will affect our grandkids.

Maria Ruth, citizen of the state of Washington, stated that she is a fan of the marbled murrelets and not the Department’s timber sales. Ms. Ruth mentioned that on the Department’s state lands map, science-based decision making is essential to the sustainability of state trust lands. She encouraged the board to look more closely at the recommendations of the Science Team Report which should not be considered as optional, but should be the guiding principal for the long term conservation strategy and timber sales. She went on to express that the timber sales are very close to occupied habitat and to the buffers. Forest fragmentation is a recently documented threat to the marbled murrelet’s survival in Washington State, and a fragmented forest is a dangerous forest. The problem is that no one is taking a look at the larger scale, and the population has declined 29% between 2000 and 2010 in Washington State, Oregon, and California. Ms. Ruth urged the board to oppose the two timber sales.

Graham Taylor, Conservation Organizer, with the Sierra Club, stated his concern about the marbled murrelet and the long term conservation strategy. The strategy is over 10 years late and the decline of the species during this time has been significant. Mr. Taylor expressed that an issue today is the health of the Goodman Creek Marbled Murrelet Management Area, an essential block of habitat identified as such in the 2008 Science Report that DNR commissioned. DNR should take an experimental approach with timber harvest and projects in the OESF and not suggest clear-cuts. Scientist have identified habitat fragmentation as a key threat to the species, and continued exasperation and fragmentation goes against the principals of the 2008 Science Report. Mr. Taylor urged DNR to defer the Rainbow Rock and Goodmint timber sales inside the Goodmint Creek Marbled Murrelet Management Area, and any other sales in Marbled Murrelet Management Areas, until DNR delivers on its promise to adopt the long term conservation strategy.

Kara Whittaker, Staff Scientist and Policy Analyst with Washington Forest Law Center, urged the board not to approve the Rainbow Rock or Goodmint timber sales, expressing that they will have a significant adverse environmental impact on marbled murrelets. Ms. Whittaker stated that the Rainbow Rock and Goodmint timber sales also violate the expert management recommendations of the 2008 Science Report in multiple ways. She asked the board to refrain from approving the Rainbow Rock and Goodmint timber sales, to avoid these adverse impacts and to avoid precluding the adoption of the Science Report recommendations in the long term conservation strategy.

Wyatt Golding, with the Washington Forest Law Center, representing the OFCO, the Sierra Club, and Seattle Audubon, stated that for the Goodmint and Rainbow Rock timber sales the environmental impact have already been considered in the Environmental Impact statement for the HCP. Mr. Golding voiced that in his opinion that is not correct. When the EIS for the HCP was written in 1996, it foresaw an interim strategy for at most, ten years. Now in 2014, DNR is without a long term strategy and still operating under an interim strategy. It matters because the impacts we hear today were not considered in 1996, and it matters because there has been a decline. Mr. Golding requested the board to wait on the sales. Once the environmental impacts are thought about, DNR can go forward with the sales. Alternatively, SEPA would require DNR
to prepare a supplemental environmental impact statement for logging on Marbled Murrelet Management Areas.

Marcy J. Golde, Olympic Forest Coalition Board Member, expressed her impressions after being out on the Marbled Murrelet Management Area (4 of the 5 units) in the Goodmint and Rainbow Rock timber sales. Ms. Golde stated that it is very good timber growing land, the trees are growing vigorously, and the roads are in excellent conditions. Ms. Golde urged the board to defer the sales, and not harvest now.

Peter Goldman, Director of the WFLC and Council for the Sierra Club, Seattle Audubon, and OFCO, urged the board to defer Goodmint and Rainbow Rock because the sales involve traditional DNR clear-cutting in the heart of the Olympic Experimental State Forest, in areas which are eligible to be considered as Marbled Murrelet Management Areas in the Long Term Conservation Strategy. Mr. Goldman stated that this administration announced three guiding principles in its decision making: 1) the states resources would be managed sustainably, 2) sound science will be applied to all decisions, and 3) the decision will be made in the public interest, resulting in the best possible outcome for the citizens of the state. Mr. Goldman voiced that DNR ignores that its timber sales today are logging forest that could provide future habitat to reverse the decline in population of the marbled murrelets. DNR has not adopted the long term conservation strategy and is not considering an alternative in the long term conservation strategy that implements the science report. Mr. Goldman stated that the public deserves the right to make key conservation decisions about whether they want DNR to protect and recover marbled murrelets based on science, and he further claimed that the Department’s actions deprive the public of that choice.

Matt Comisky, Washington Manager for American Forest Resource Council, stated that AFRC counts among its members nearly all of the major purchasers of timber from DNR-managed forests. Mr. Comisky expressed that AFRC would like to voice its support for these timber sales. Based on their review of the forest practices applications and SEPA documentation, it appears both of these sales are in compliance with the Department’s policies and procedures as well as the 1997 HCP Interim Strategy for the marbled murrelet habitat management in the OESF. AFRC urged the board to approve all sales. Mr. Comisky voiced that this will keep important volume flowing to the mills, and will continue to provide revenue to the trust beneficiaries.

Chair Goldmark adjourned the Board of Natural Resources Meeting and he convened an Executive Session to discuss threats of litigation.

Chair Goldmark reconvened the Board of Natural Resources Meeting at 9:45 AM.

TIMBER SALES (Action Item)

**Proposed Timber Sales for April 2014** | 3 handouts, including the presentation

Paul Bialkowski, Product Sales & Leasing Division

Kyle Blum, Deputy Supervisor for State Uplands

The results of the February auctions were presented to the board by Mr. Bialkowski. The Department offered 12 sales totaling 51.4 MMBF. Of those, 11 were sold totaling $21.6 million for an average of $424/MBF.
Mr. Bialkowski noted that the good results were due to a combination of log quality and harvest systems. He also noted that bidder participation remains high, with some sales receiving 5 or 6 bidders. The proposed April sales were then presented to the board.

The department proposes to offer 14 sales in April totaling 63.3 MMBF. The appraised value of these sales is $23.7 million for an average of $374/MBF.

Mr. Blum gave an overview of two proposed sales located in the Olympic State Experimental Forest (OESF), Goodmint and Rainbow Rock. He presented a map of the landscape containing the two sales and discussed the sales in relation to the Department's Habitat Conservation Plan (HCP), Policy for Sustainable Forests and the OESF sustainable harvest calculations.

Mr. Blum explained that the Science Team Report is not a board adopted policy. For it to be a board adopted policy DNR would have to bring it to the board to propose to make an amendment to the interim strategy to follow the recommendations of the report, while the long term strategy is being completed. The Department has not done that primarily because the Science Team acknowledges upfront that it did not consider the fiduciary obligation with the exception of two smaller counties in Southwest Washington. Mr. Blum stated that with the Science Team Report not being a board adopted policy DNR's interim strategy is to protect occupied sites, to buffer those sites, and to protect reclassified habitat even if it is surveyed and found to be unoccupied. In the OESF planning unit, DNR did not complete all the surveys. The only way you can release any surveyed unoccupied reclassified is if you have completed the surveys and that unoccupied habitat is at least a half mile from occupied sites. Therefore, even if DNR surveyed the habitat and found it to be unoccupied it is deferred until the long term strategy is completed.

Chair Goldmark inquired as to whether either of the sales include marbled murrelet habitat.

Mr. Blum replied that neither sale contains suitable murrelet habitat, that these sales are primarily younger than 50 years old. He stated that in the Science Team recommendations in Southwest Washington, marbled murrelet management areas are recommended as no harvest areas, unless you are going to contribute to habitat development. You can do an enhancement activity, but not regeneration harvest. In the OESF, the recommendations varied depending on which marbled murrelet management area is being referenced. For this landscape, marbled murrelet management areas in the Goodmint Creek are intended to provide abundant high quality nesting habitat in a minimal fragmented context. Each marbled murrelet management area will be managed to achieve and maintain at least 50 percent of the area trying to maximize interior area in habitat and then maintain at least two-thirds of the remaining area in stance with the tallest 40 trees per acre, at least 80 feet tall. Mr. Blum added that even with the Science Team recommendation there is some availability allowed for management within these areas. The notion for maximizing interior area is subjective and for the board to determine.

Overall, in the OESF DNR defers more than 40 percent of the landscape from various conservation strategy (i.e.; riparian, wetland, unstable slopes, Northern Spotted Owls, marbled murrelet, old growth). There is a significant percent of this landscape that is unavailable for management.
Mr. Blum specified that DNR has a fiduciary obligation that comes from the state constitution and DNR endeavors to meet that to the extent possible. The sustainable harvest calculation is the embodiment of what we need to do.

The Science Team recommended that 39,000 acres be in proposed marbled murrelet management areas and another 44,000 acres of old forest be managed for long term murrelet habitat in the OESF. The two sales today, are in areas that are not currently protected under the interim policies for the HCP and sustainable harvest calculation, that would be, if the Science Team Report was adopted.

Mr. Blum expressed that this landscape is particularly complex and difficult to manage in addition to the complexity of the HCP. The HCP and the Sustainable Harvest Calculation are board adopted policy. DNR is bringing forward sales to meet those policies and preserve options for our long term conservation strategy because DNR takes very seriously the commitment under the Endangered Species Act.

Commissioner Grose noted that the 2008 Science Team Report had not been adopted by the board, but he asked whether the department follows some of the recommendations of the report where consistent with the department’s fiduciary responsibilities.

Mr. Blum replied that the department does, and gave examples where that occurs.

Mr. Bialkowsky asked for approval of the proposed April 2014 sales.

MOTION: Commissioner Grose moved to approve the proposed April 2014 sales.

SECOND: Superintendent Dorn seconded the motion.

ACTION: The motion was approved unanimously.

CHAIR REPORTS | 1 Handout
Western Washington Sustainable Harvest Calculation
Kyle Blum, Deputy Supervisor for State Uplands
Angus Brodie, Forest Resources Division Manager

Mr. Brodie reminded the board that the RCWs, DNRs policies relevant to the sustainable harvest calculation (SHC), and the 2004 and 2007 calculations were presented at last month’s board meeting. He then explained that the objective of the current presentation was to describe current SHC modeling assumptions, and provide a summary review of performance in the past decade compared to what was modeled in 2004 and 2007.

The modeling assumptions are broken into three broad categories: 1) management objectives, 2) current conditions of the forest resource, and 3) how the forest will grow under different silvicultural strategies. Current laws and policies such as the RCW’s associated with the sustainable harvest calculation, objectives described in the 1997 Habitat Conservation Plan (HCP) for state uplands, the 2006 Policy for Sustainable Forests, and the Multiple Use Act drive the management objectives.
The 1997 HCP contains specific strategies for each of the following: northern spotted owl, riparian management zones, wetlands, marbled murrelet, multi-species, and the Olympic Experimental State Forest (OESF). The model developed for the SHC must reflect current laws and policies and must achieve the 1997 HCP objectives. One method of reflecting these is using a geographic information system (GIS) to spatially portray management objectives. Mr. Brodie described the use of spatially explicit land classes as the method the current model uses, with four general classes: deferrals, riparian, uplands with specific objectives, and uplands with general objective. Areas classified as uplands with specific objectives can be site specific, for example unstable slopes, recreation areas, and visually sensitive areas; or they can be at a landscape level, for example the OESF, and nesting, roosting, foraging or dispersal habitat for northern spotted owls. Areas classified as having general objectives are the areas DNR manages to grow and harvest trees. Deferred areas are areas deferred from harvest because they contain special features such as habitat for northern spotted owl and/or marbled murrelet, old growth, or unstable slopes; are natural area preserves and natural resource conservation areas; or contain other features that limit the ability to harvest them. The percentage of the 1.46 million acres of forested area on DNR-managed lands in western Washington in each classification is 31 percent uplands with general objectives, 24 percent uplands with specific objectives, 15 percent riparian, and 30 percent deferred.

Mr. Brodie then described the current age class distribution, in acres, of DNR-managed forested areas in western Washington, in ten-year increments, and showing both managed lands and deferrals. The majority of the forested area contains trees that are less than 80 years old. As the age increases, the proportion of the age class in a deferred status increases. Mr. Brodie then displayed the age class distribution by merchantable volume for DNR-managed forested areas in western Washington, again in ten-year increments, and showing both managed lands and deferrals. The chart shared shows that the majority of the merchantable volume that is not in a deferral is in stands between 30 and 89 years old.

Mr. Brodie then described assumptions about modeling forest growth. First, an important assumption is made that there will be a future forest; that harvested areas will regenerate and be available for harvest in the future. There are also several assumptions about the cost of regenerating harvested areas associated with site preparation, replanting of trees, managing trees until they reach the free to grow stage, and managing tree density. The average cost per biennium is $18.3 million. For this biennium it is $16 million. Costs are an average, and assume that all acres receive all treatment. In reality, site preparation occurs on approximately 80 to 90 percent of harvested areas, and vegetation management and pre-commercial thinning occur on about 60 percent of harvested areas.

The management fee collected by the agency is based on the last ten years of costs. Both VRH and thinning in the uplands cost approximately $550/acre. Harvest in riparian areas costs more, primarily because it is more labor intensive. Indirect costs, for example IT, human resources, and management, cost approximately $10/acre. Based on the 2013 Assessment of Indian Forests and Forest Management in the United States, DNR’s costs are in the middle of the range for forestland managers in the Pacific Northwest. The Indian Forest Management Assessment Team prepared this report for the Intertribal Timber Council.
Mr. Blum presented a review of the past ten years of harvest activity in comparison to the harvest activity modeled in the 2004 Final Environmental Impact Statement on Alternatives for Sustainable Forest Management of State Trust Lands in Western Washington and for Determining the Sustainable Harvest Level, as amended in 2007. Mr. Blum presented a chart comparing the volume of timber sold compared to the sustainable harvest calculation. For most years, the timber volume sold was less than the sustainable harvest calculation. He then presented a chart showing which sustainable harvest units exceeded the target, defined as over 100 percent; were near or on target, defined as between 80 and 100 percent; and which are in arrears, defined as less than 80 percent of the target. Sustainable harvest units that exceeded the target are Clark, Cowlitz, Lewis, Mason, Pierce, and Snohomish Counties. Those near or on target are Capitol Forest, and Jefferson, Kitsap, Pacific, Skagit, Thurston, and Whatcom Counties. Those that are in arrears are Federally Granted Lands and SFB Purchase, OESF, and Clallam, King, Skamania, and Wahkiakum Counties. In the counties, this applies to forest board lands only, not all state lands. The total amount of arrearage for the decade is expected to be approximately 519 MMBF. This topic will be discussed at the April board meeting.

Mr. Blum discussed key policy assumptions and implementation for riparian management zones, the northern spotted owl habitat conservation strategy, the interim marbled murrelet habitat conservation strategy, and management fees.

The amount of harvest in riparian management zones in the past nine years is approximately ten percent of what was projected. The actual harvest was 39MMBF and the projected harvest for the decade was 394 MMBF. The amount of volume harvested in riparian management zones in the coming decade is expected to be higher than 39 MMBF, but much lower than 394 MMBF.

The amount of harvest that occurred in nesting, roosting, foraging (NRF) habitat for northern spotted owls was far below what was modeled in 2004. The economic collapse and associated reduction of DNR’s workforce hindered the agency’s ability to identify “next best” habitat, and therefore a conservative approach to harvesting in these areas was needed to avoid cutting too much and missing habitat goals. The amount of harvest in northern spotted owl dispersal habitat was over twice the amount modeled, which is a success because the harvest was variable density thinning which enhanced habitat and generated revenue.

Mr. Blum next described the 2004 modelling assumptions for marbled murrelet. In 2004, it was anticipated that a long-term conservation strategy would be adopted during the decade, and it would be based on occupied sites with no buffers. At that time approximately 40,000 acres were deferred for marbled murrelets. Today the long-term strategy is not in place, and the amount of area deferred for marbled murrelets in the interim is approximately 100,000 acres.

Mr. Blum presented the financial analysis summary originally presented to the board in February 2004. At that time the total west side harvest revenue under the preferred alternative was forecast at approximately $199 million, and total gross revenue from all sources was forecast at approximately $238 million. The assumed cost of operations was $74 million, approximately 31 percent of total gross revenue. DNR’s management fees over the past nine years have been 25 to 30 percent of the Resource Management Cost Account and 21 to 25 percent of the Forest Development Account. The revenue predicted in 2004 was based on the assumption that harvest during the early part of the decade would be ramping up to the new sustainable harvest level,
then harvest would be steady at the sustainable harvest level for the remainder of the decade. In reality, the ramp up occurred but then the economy went into recession and hindered DNR’s ability to attain the sustainable harvest level. DNR’s economic performance has improved over the past several decades as managers learn to be better land stewards, but this comes with added costs. Mr. Blum presented a slide depicting changes in regulation, policy, and management that result in an increased cost of doing business.

Mr. Blum then reviewed the timeline for bringing a new sustainable harvest level to the board for consideration in June 2014.

Mr. Grose asked whether DNR has the personnel to respond to a new harvest level, and given the time lag between when a timber sale is in the planning stage until it is harvested, how will introducing a new level affect planned sales?

Mr. Blum responded that the Division is working with the Regions to minimize any short-term changes in timber sale planning.

PUBLIC COMMENTS FOR GENERAL ITEMS OF INTEREST
Knox Marshall, Vice President of Resources with Murphy Company: Mr. Marshall urged the board to use extreme care in the work to adopt the Sustainable Harvest Calculation for the decade beginning with Fiscal Year 2015. Mr. Marshall stated that the Department’s timber sale program is essential to the continued success of the Murphy’s Company’s operations, both in Washington and Oregon. Because Washington and Oregon are increasingly a single wood basket, a reduction in DNR timber harvest would have a negative impact on the mills throughout the region. Mr. Marshall expressed that the Murphy Company stands ready to assist as the board considers adoption of a sustainable harvest calculation for the next planning decade.

Ann Forest Burns, Vice President, with the American Forest Resource Council: Ms. Burns stated that as the board embarks on the adoption of a Sustainable Harvest Calculation for the next decade, AFRC urges the board to undertake this task with great care and to develop a full understanding of the basis of the number that you are working with. An open and transparent public process will be essential to AFRC’s ability to assist. In order to not further erode revenue production to the trusts; these acres must be put to as much timber use, compatible with other multiple use objectives, as possible. Ms. Burns voiced that AFRC urges the board not to be so intent on the deadline that the opportunity to fully understand and resolve questions about how you will meet both your statutory and fiduciary responsibilities is overlooked.

Meeting adjourned at 10:45 AM
Approved this 5th day of April, 2014

[Signature]

Peter Goldmark, Washington State Commissioner of Public Lands

[Signature]

JT Austin, Designee for Governor Jay Inslee

via conference call

Randy Dorn, Superintendent of Public Instruction

[Signature]

F. Lee Grose, Commissioner, Lewis County

via conference call

Ron Mittelhammer, Interim Dean, College of Agricultural, Human, and Natural Resource Sciences, Washington State University

[Signature]

Thomas H. DeLuca, Director, School of Environmental and Forest Sciences, University of Washington

Attest:

[Signature]

Sarah Vansor, Board Coordinator