Chairwoman Beard began the meeting at 9:01 with a roll call of committee members and introduction of the PAD personnel and presenters. At the last meeting, Deputy Director Scott Mendenhall suggested that changes to SB 263 may be able to be made in-house. Nick Gochis added that statutory changes would be needed in the next legislative session to change the cycle from 6 years to 2 years. Motion to accept minutes from the last meeting was approved.

Members from BBER gave an overview of timber sales and cost data. Access to the PowerPoint presentation was requested as some of the slides were too small to read on the screen.

Senator Pat Flowers asked why the trend from 2001 to 2011 was such that log prices trailed lumber prices. Some discussion occurred with Paul McKenzie stating that there isn’t a great explanation as to why log/lumber prices did not trend more closely together. Mike Nicolucci stated that there should be an association between lumber and log prices but there isn’t yet. He was asked by the US Forest Service to look into it. He also stated that logging & hauling costs have been collected since 2005.

Discussion continued regarding costs, safety, using expert opinions versus statistical analysis to determine cost models and how to determine costs associated with hauling, harvesting, private
mill costs, and indirect costs. There was discussion about using an income approach as well. Sen.
Flowers asked the BBER representatives if they have a recommendation, and the suggestion was
made that both a cost approach and a local market approach should be used to develop a
methodology. Vincent Corrao suggested items such as sales, burn management and real estate
should also be considered, as well as surveying sawmills and considering management costs.

V. Mr. Mendenhall stated that they could use an internal white paper as a starting point for a sub-
committee meeting on the following Monday. Ed Caplis stated that he believes analysis can and
should be done in-house for economic and consistency reasons and should be systematic and
verifiable.

VI. After a short recess, the future schedule of the committee was discussed. It was suggested that
the next meeting should be in November to allow the department to work on model
suggestions. It was further suggested that a June meeting could be used to discuss
harvest/sawmill productivity, with the September meeting next year as a deadline to determine
an outline for what should be proposed to the legislature. Senator Mike Cuffe suggested that
meeting every 3 months might be the way forward. Mr. Caplis stated he would put on paper an
outline of when the committee should meet. Chairwoman Beard stated that 12 months from
this meeting date the committee should be ready to present recommendations to the Revenue
Interim Committee (RIC).

VII. Sen. Flowers asked a question about potential bias between public versus private owners on
stumpage price, which initiated more discussion regarding items such as delivered log price
minus cost, over-supply of fast growing species causing mills to do well but loggers were not,
and some recommendations that lumber price should not be used as a base for stumpage price.
There was also discussion about using models involving productivity vs. sales vs. acreage or a
combination of all three.

VIII. Sen. Cuffe shared his experience as a mill owner, and discussed direct vs. indirect costs,
including the human factor of mills closing due to a variety of factors. He discussed items such as
lack of timber, large corporate involvement in local sawmills and their lack of interest in local
effects of corporate decisions and lack or inadequacy of forest management as effects on local
economies. Chairwoman Beard stated the committee should be aware of connecting the dots
between all these factors. She also requested more development from Mr. Caplis on the many
factors suggested so far.

IX. Todd Morgan suggested some items to be considered, including how many acres are taxable
and how much revenue this provides, and also some history about how that has changed over
20 years. He also asked the question about how landowners can be encouraged to keep forest
land. He also asked the committee to consider how longer haul distances affect private
landowners.

X. It was decided that the next meeting will be Wednesday November 10 at 9:00 AM as Thursday is
a federal holiday. Meeting was adjourned at 11:28 AM.