

**Testimony Before The Senate  
Environment & Natural Resources Committee  
In support of Senate Bill 248**

**Presented By Bob & Kirk Luoto, Cross & Crown, Inc.  
March 11, 2015**

Mr. Chairman and members of the Committee, we are Bob and Kirk Luoto. We are the owners of Cross & Crown, Inc., a logging company located in Carlton, Oregon. We represent the third and fourth generation of owners in our family business. We are here today to testify in support of Senate Bill 248 relating to the sale of timber from State Forest Lands.

Quite simply, SB 248 would authorize a new way for the Oregon Department of Forestry to market its timber. Traditionally, the State sells its timber to the highest bidder who then hires a contractor, such as ourselves, to log the sale and deliver the logs to a designated mill location. Under this model, the contractor works for the business entity that buys the sale. What SB 248 would do is modify the statutes and regulations to allow the State to maintain ownership of the timber, hire a contractor directly and market the logs to milling facilities with the objective of maximizing revenues to the State.

We refer to this model in the industry as “log sort” timber sales. The logs most suitable for manufacturing lumber would be sold by the State to a sawmill; the logs most suitable for making plywood would be sold to a plywood mill; logs meeting the specifications for poles, would be sold to a pole yard; pulp wood would end up in a chipping facility; etc. These sale arrangements and delivery destinations would be determined in advance of the logging. The objective is to maximize the return to the State by delivering each log to the destination where the most value can be realized.

Our company has experience with these types of sales and believe they can improve financial returns to the State in the proper circumstances and with proper oversight by the Department of Forestry.

Now, we would be remiss if we didn't remind the Committee that the best and most efficient way for the Department of Forestry to improve State Forest financial performance would be to sell more timber! We believe our State Forest lands are an under-performing asset, because the State is not currently selling near the volume these lands have the potential to grow. In fact, the harvest levels on the Tillamook and Clatsop State Forests could be increased by 40-50% on a sustained yield basis, while protecting other resources as required by the Oregon Forest Practices Act. We would encourage the Committee to take a look at this issue if the State is seriously interested in improving the financial performance of these most valuable assets.

In conclusion, we support Senate Bill 248 for the following reasons:

1. The Bill would give the Department of Forestry a new tool in its tool box.
2. While we are not suggesting a wholesale change to "log sort" sales—we support this Bill adding another useful tool to help market some State Forest timber for financial returns to counties, taxing districts, and the Forestry Dept.
3. This bill would provide contractors, such as our company, the opportunity to work directly for the State without being encumbered by the many complicated and sometimes convoluted contracting requirements the State employs for direct contracting.
4. We believe this bill would also improve the revenues received on those select timber sales where a "log sort" transaction model makes sense.

We would be happy to answer any questions you may have.