

Committee for Family Forestlands (CFF) Annual Report
July 30, 2010

Report offered by Craig W. Shinn, Chair of CFF and Susan Watkins, Vice-Chair of CFF

The Committee for Family Forestlands is pleased to provide a report of its activities over the past year (July 2009 – June 2010). This year's report outlines accomplishments of the Committee for Family Forestlands (CFF) and discusses progress made on a forward-looking agenda to address key issues for family forestlands. The Committee has continued to monitor the department's budget situation and the implications for family forestland owners. The CFF chair will be available discuss emerging policy issues and recommendations developed by the Committee.

The CFF, a standing committee of the Oregon Board of Forestry, provides advice to the Board of Forestry and the State Forester on matters relating to Family Forestlands, including the formulation of family forestland policy and the evaluation of the effects that changes in forest policy have or will have on family forestland owners. The Committee also provides guidance on the Department of Forestry's strategies and actions to improve services to family forestlands and their owners and provides an avenue to raise public awareness of the role that family forestlands play in maintaining a healthy forest environment, economically, socially and ecologically. In giving advice to the Board and State Forester, we are mindful of and strive to be consistent with the objectives of the Forestry Program for Oregon and the Oregon Indicators of Sustainable Forest Management.

WORK PLAN FOR 2009-2010

The work plan for 2009-2010 focused on the following issues, which were prioritized into three tiers of importance in terms of their potential effect on family forestlands:

Tier 1 Issues

- Financial Incentives. Develop financial incentives (cost-share programs, others) for maintaining and enhancing environmental values and services. Create a "green credit" forest fund to pay for conservation easements on working family forestlands. Enact tax credits for keeping land in forest.
- Reduction and Change in Services to Family Forestland Owners. The CFF views reductions in ODF's Private Forests program with alarm for several reasons. Of greatest concern to family forestland owners, the Budget represents a significant reduction in ODF services via the elimination of 49 Full-Time Equivalents (FTEs) in the Private Forests Program. This roughly equates to a 50 percent reduction in services provided to landowners most in need of those services. As we move forward in the next two years, ODF's services will be very different, including longer response times, change in type of response, and a likely reduction in available

expertise. The CFF role will be to help landowners learn how to deal with these reductions in services.

- Increased Carrying Costs to Family Forestland Owners. The decrease in service level shifts additional costs to landowners. For example the loss of wildlife and aquatic specialists will require landowners to privately hire or forego expertise needed to ensure resource protection and enhancement. The proposed fund shifts in the Fire Protection Program would have further increased costs to private forest landowners. CFF members note that Oregon has the highest allocated financial burden to private forest landowners for fire protection among all western states. This burden weighs heavily on family forestland owners. Addressing our overall approach to fire protection, forest health and structure of fire cost allocation is a high priority issue for the CFF.

Tier 2 Issues

- Reconnecting Oregonians to Forestry. Develop intensive public education on family forestland issues, and reconnect Oregonians to the relevance of forests and forestry to their lives. Collaborate with NGOs to find funding, provide training, develop educational material, and build solutions. Reconnect urban and rural Oregonians through the marketplace. Build awareness of and pride in using locally-grown wood and other products. Improve marketing and public relations efforts on behalf of local wood products. Develop local farmer's market-style outlets for wood products.
- Social Contract to Practice Forestry. The Forests Practices Act is landmark legislation that assures the protection of public resources and serves as a nexus for a variety of state and federal laws. A viable state regulatory program (Oregon Forest Practices Act) is essential to ensure the maintenance of a "social license" for practicing forestry, which is critical to the viability of private forestland ownership. Funding the FPA is a responsibility shared by the public and private landowners. In Oregon, we have a history of shared responsibility for funding forestry programs roughly reflective of the mix of public and private values that are derived from forested landscapes. One issue for the near term is ensuring the viability of the FPA, its effective implementation and its legitimacy in the eyes of the public. Another issue is solving the periodic funding challenge for ODF's Private Forests Program. The dependency on general fund dollars subjects the program to funding variation related to the strength of the state economy. The dependency of this program on general funds to provide the public share contribution for public goods and services creates uncertainty, risk and cyclical fluctuation in the program unrelated to the need to provide these public services. It is a CFF priority to help the Department find a long-term solution to this problem.

Tier 3 Issues

- Intergenerational Transfer. Help families and communities recognize and address issues around transferring forestlands from one generation to the next. Support use of

the Ties to the Land curriculum to engage landowners, and help train foresters who interact with family forestland owners, to talk about the importance of succession planning.

- Bridging Jurisdiction. The department has served as a one-stop shop to forestland owners for information, technical services, and efficient, integrated approaches for forest management. Because of organizational and staffing changes resulting from budget reductions, the Department will be challenged to continue to bridge jurisdictional boundaries in areas like watershed, land use, fish & wildlife, and clean water, etc. CFF will look for ways to help ODF or other partnering organization to develop, redesign, or retain this bridging function that is of high importance to family forest land owners.
- Issues of the Day. After the experience this year, it is clear that in addition to forward looking agenda items, the CFF will need to plan time to deal with issues that emerge related to economic circumstance. This work plan item is a place holder for these types of issues and reflects the judgment of CFF that these emerging issues will be a significant part of next year's work.

ODF's PRIVATE FOREST WORK PLAN FOR 2009-2010

The issues identified above correspond to the Board's development of the Private Forests work plan and policy objectives. The overall priority for the CFF is to address the challenges to family forestland viability. This priority aligns with the Board's policy objective #1, "identify current and future risks of forest fragmentation and the conversion of forests to non-forest use as the primary, overarching challenge to sustainable forestry and keeping working forests working." The Committee tier one issue on developing incentives aligns with policy objective #4, "place a high priority on dedicating resources towards the development and support of future non-timber markets that will increase forestland value, including biomass, carbon sequestration, and other ecosystem services."

The CFF has spent considerable time and energy understanding the programmatic impacts of projected declines in state revenues and the executive and legislative requests for budget reductions. Issues above related to ensuring a viable FPA program, services to family forest landowners, and fair apportionment of costs for fire protection all point to support of the policy objective #2, "explore alternative, more stable funding mechanisms for the public share portion of the department budget directed at keeping forests in forests (i.e., alternatives to state general funds)". We have seen how a modest cut in state general fund support disproportionately affects the Private Forests Program (approximately 40 FTE will be lost).

The CFF supports making these three Private Forests policy objectives a high priority for Board work over the coming year, and recommends that family forestland issues help set the priorities for the other policy objectives as the Board continues its work.

ACCOMPLISHMENTS FOR 2009-2010

The Committee used the 2009-2010 objectives to direct our efforts over the past year. These objectives were determined by evaluating the forward-looking agenda issue raised by the agency budget process and the ongoing development of the Private Forests work plan. The Forestry Program for Oregon and Oregon Indicators of Sustainable Forest Management were used for overarching guidance. As the 2009-2010 year progressed, the continuing state budget crisis and projected ODF budget responses continued to occupy much of the Committee's time. An emerging issue developed in regard to the Department of Environmental Quality's process for updating water quality standards. The CFF accomplishments reflect the continued concern for the Department's budget and the emerging water quality issue.

July 2009

- Presented its annual report to the Board of Forestry, including their review and recommendations for the Private Forests work plan and policy objectives.
- The Board of Forestry Decision followed the CFF recommendation for modifications to the Private Forests policy objectives. The Board also agreed to consider CFF's priorities in the evaluation and ranking of the Private Forests policy objectives.

October 2009

- Reviewed the Private Forests transition plan, including its effects and challenges ahead.
- Discussed the BOF idea concerning allocating more Lottery funds to Natural Resource Agencies. CFF does not want a greater share of Private Forests or Fire Protection funding to be paid by family forestland owners. General Fund should be considered to meet the goals of the Forest Health Program.
- Decided its over-arching goal is to keep family forestlands as forest and set priorities to develop positions on pesticides, slash burning and prescriptive fire, ecosystem services, and priorities of the Private Forests Program work plan. Tiers of priorities include: Tier 1 (highest), financial incentives; Tier 2, social contract, connecting the public to family forestlands; Tier 3, intergenerational transfer of forestland.

November 2009

- Discussed Department of Environmental Quality's (DEQ) efforts to draft rules regulating non-point source pollution to reduce toxics in fish consumption. Because forestland owners follow BMP's set by the BOF, they already meet water quality standards for Oregon. The CFF believes DEQ should petition the BOF to revise BOF rules if DEQ believes forestlands are failing to meet water quality standards. Any new rules that DEQ develops related to forest practices should go through the

Environmental Quality Commission and the Board of Forestry process established by statute and rules.

- Revisited conservation easements and the features attractive to landowners. Easements are voluntary, legal agreements by which landowners give up some rights to their property while retaining ownership. Oregon Land Use laws have an effect on the desirability of easements from an owner's perspective. As land use laws become less restrictive, conservation easements would be more attractive to landowners. Waiting for land use restrictions to be lifted before granting a conservation easement would result in higher land values and greater one-time payments. Where would funding for monitoring and enforcement come from? The Committee agreed to evaluate easements further at a future meeting.
- Received a status report on the ODF programmatic Safe Harbor Agreement and Healthy Forest Reserve Program. The Stewardship Agreement Program would be the vehicle for issuing certificates of inclusion under the programmatic safe harbor agreement (SHA). The CFF recommended the Department move forward with the SHA consistent with the CFF's past comments on the 2008 Northern spotted owl recovery plan.
- Reviewed the ODF budget plan prepared by the Department for the 2010 Special legislative session. Projected reductions would leave the Private Forests Program with a minimal program, only 7 Stewardship Foresters remaining, located at the area offices. The reductions would also impact the state's capability for initial fire attack. The CFF prepared a letter to the State Forester expressing concerns regarding additional reductions to the department.

December 2009

- Reviewed a draft letter from the CFF to BOF regarding DEQ's rules development process as discussed in November, with completion targeted for early January.
- Discussed the Forest Practices illustrated manual and provided suggestions to OFRI for revisions.

January 2010

- Met with John Blackwell, Chair of the Board of Forestry. Chair Blackwell and the CFF discussed the DEQ process on non-point source pollution and potential impacts to family forests. The CFF presented its forward looking agenda and key issues and described the importance of private forestland.
- Submitted a policy statement on the Department of Environmental Quality (DEQ) Water Quality Standards and Review of Toxic Pollutants Criteria to Marvin Brown, State Forester, and John Blackwell, Chair of the Board of Forestry. The statement encouraged the Board and Department to be engaged in this important policy issue.

The CFF asked the Board of Forestry to direct the State Forester and his staff to bring CFF concerns to the Department of Environmental Quality and in particular underscore the historic nexus between DEQ and ODF in regard to implementing policy related to water quality on Oregon's forestlands. The CFF wants to insure that policy not only helps answer water quality questions, but also furthers the ability of forestland owners to keep their lands in forest use.

February 2010

- Reviewed and provided recommendations on Protection from Fire's Legislative Concepts (LC) addressing landowner liability concerns regarding prescribed burning, the Wildfire Reduction Act, and liability for fire incident command staff. The CFF also reviewed Private Forests' LCs, including: 1) a revision to the Forest Practices Act to treat all land the same, instead of requiring more of forestland owners than other owners, e.g., heron protection on forestland but not on Ag land; 2) market-based incentives for carbon or other ecosystem services; and 3) Transferrable Development Rights (TDRs).
- Reviewed ODF's new budget proposal, to be presented to the BOF, and agreed that significant changes are needed to simplify and stabilize the budget.
- Planned for replacement of members. Rojee Gottee, owner and manager of 2400 acres in the Blue Mountains, was suggested by John Blackwell and nominated by the Committee to fill the eastern Oregon landowner representative. Susan Watkins was nominated to serve as vice-chair.

March 2010

- Nominated Sara Leiman, co-owner and general manager of Coast Range Conifers LLC based in Monroe, for confirmation by the BOF as Northwest Oregon landowner representative.
- Received an excellent briefing on ecosystem services and ecosystem services markets, the work of the Senate Bill 513 committee, and the BOF work on ecosystem services.
- Reviewed the pesticide outline developed for a BOF workshop. The Committee agreed it is important that the BOF get this kind of information and not rely solely on testimony by vested interest groups at its meetings. The CFF recommend that the department work with the Board to respond to Issue Scan review group recommendations.

April 2010

- Provided feedback on improving the BOF Forest Vitality Work Plan, which includes carbon markets. The Board wants to expand the work plan to include ecosystem

services and markets. The CFF identified expertise in environmental finance as a critical area; currently there is a lack of information on how to design and track financing for ecosystem services. The Committee recommended that the plan address certification as a way of verifying and rewarding ecosystem services. Three areas that seem to be gaining traction are carbon credits, conservation easements, and transferrable development rights (TDRs).

- Reviewed the submitted Private Forests Legislative Concept (LC). The LC proposes revisions to the Forest Practice Act to alter the time allowed for processing notifications of operations, provide flexibility in meeting subscriber request for information, and revise requirements for written plans for operations near streams and wetlands. The CFF supports the proposed changes and recommended that ODF contact subscribers to let them know about the changes and to solicit response.

May 2010

- Developed our annual report for the Board of Forestry (this report) and reviewed the CFF forward looking agenda and priorities for work related to keeping family forests as working forests. The CFF decided to include recommendations regarding family forests in its annual report.

WORK PLAN FOR 2010-2011

The Committee developed new objectives to direct its efforts in 2009-2010 by re-evaluating the 2009-10 objectives in light of this year's accomplishments and changing circumstances, including the continued state budget crisis and emerging issues. The Forestry Program for Oregon and Oregon Indicators of Sustainable Forest Management were used for overarching guidance.

Consistent with the Board of Forestry's policy objectives for Private Forests, keeping family forestlands in forest remains the key issue for the Committee (keep working forests working).

In the coming year, the committee plans to address the following issues which are prioritized into three tiers of importance in terms of how they could potentially affect family forestlands:

Tier 1 Issues

- Budget and Finance. Budget and finance for both the Department of forestry and for family forestland owners remains a high priority. The CFF is extremely concerned that the current budget creates a disincentive to own and manage private forestlands in Oregon and indicates that Oregon state government is no longer willing to uphold its share of the responsibility for maintaining sustainable forests.

- Reduction and change in services to family forestland owners: ODF's Private Forests Program budget in 2009-11 biennium represents a significant reduction and change in services to family forestland owners. As we move forward, ODF's services will be very different, including longer response times, change in type of response, and a likely reduction in available expertise. The CFF role will be to help landowners learn how to deal with these reductions in services. The CFF is actively participating in the new Educational Partnership group to develop a strategic plan for landowner education needs.
- Increased carrying costs for family forestland owners: The department's budget also affects carrying costs for family forestland owners. The decrease in service level shifts additional costs to landowners. For example the loss of wildlife and aquatic specialists will require landowners to privately hire or forego expertise needed to ensure resource protection and enhancement. Addressing the overall approach to landowner services, fire protection, forest health and structure of the Department's budget is a high priority issue for the CFF.
- Serving as a Sounding Board for the Department. The CFF functions as a sounding board for the department on emerging issues and policies. The CFF provides initial feedback regarding a decision's potential effect on family forestland (e.g., CFF provided feedback on the Private Forests' policy objectives, policy option packages, Safe Harbor Agreement, and Forest Vitality work plan, etc.). By serving in this role, the CFF provides feedback early in the process of policy development and issue response. The CFF can also elevate an issue to the Board as appropriate. This coming year, the CFF will be actively involved in the Budget Coalition and legislative actions that affect family forestlands.
- Water Quality and Nonpoint Source Regulations. The CFF understands the importance of water quality in Oregon and the vital role of forests as a source of high quality water. Our committee will help identify and solve real problems associated with nonpoint source water pollution and to help construct an associated effective toxic reduction strategy. The CFF is concerned about a Department of Environmental Quality (DEQ) process for evaluating water quality issues that has to date been very urban centered. Any process must preserve the nexus between the Environmental Quality Commission and the Board of Forestry designed to meet statutory obligations related to the regulation of non-federal forestlands. The CFF is concerned about a process that may bypass BOF authority and lead to an outcome adverse to family forestlands and their owners without effectively addressing the DEQ non point source water quality concerns. The policy discourse must be centered in science. Finally, any solutions must include a goal of keeping forestland in forest use. Because of the positive contribution of forests to over-all water quality, river health, and watershed function, the highest concern we have is that policy solutions to non point source pollution contribute to the likelihood that forestlands remain in forests, or at the least do not result in a new disincentive to own forestland.

Tier 2 Issues

- Declining Forest Infrastructure. In 1980, Oregon had 373 operating mills – 223 lumber, 150 plywood and veneer and 32 other primary wood products manufacturing facilities supporting 45,800 workers. In contrast, in 2010, Oregon has only 59 lumber mills (a 74 percent decline), 30 plywood and veneer mills (an 80 percent decline) and 17 other primary facilities (a 47 percent decline) – totaling only 89 mills in all (a 76 percent overall decline). Employment now stands at 15,700 workers (a 66 percent decline). As expected, production capacity declined as well, but not in proportion to the number of mills lost. Lumber production peaked again in 2005 signifying that fewer, but larger, mills are now producing lumber when compared to the 1980's. The reasons behind this trend are complex, but center on the combination of production facilities retooling to handle second growth timber, shake-outs resulting from the 1980 and 1990 recessions, loss of Pacific rim export markets, and the severe loss of timber availability on federal lands. Eastern Oregon was especially hit hard because private lands were not sufficient to supply the mill capacity established around federal timber supply; today only 8 operating lumber mills remain from the 42 that were running in 1988. Family forest landowners in western Oregon near populated areas or near federal forests, and in eastern Oregon everywhere, currently find it difficult for timber and mixed agriculture or range management to generate returns that compete with alternative uses. With relatively high non-resource land values, the land can often be sold for much more than its resource management value, and therein lies a significant challenge if state policy is to maintain the forestland-base for forest uses. The CFF will examine ways to accelerate the implementation of the Federal Forestlands Advisory Committee recommendations.
- Financial Incentives. Develop financial incentives (cost-share programs, others) for maintaining and enhancing environmental values and services. Create a “green credit” forest fund to pay for conservation easements on working family forestlands. Enact tax credits for keeping land in forest. The CFF will also work with the Department to explore ways to improve the delivery of cost share programs under the Natural Resource Conservation Service (NRCS). The NRCS oversees the Environmental Quality Incentives Program (EQIP), which provides funding and expertise for measures to protect natural resources while ensuring sustainable production on farms, ranches, and working forest lands.
- Social Contract to Practice Forestry. The Forests Practices Act (FPA) is landmark legislation that assures the protection of public resources and serves as a nexus for a variety of state and federal laws. A viable state regulatory program is essential to ensure the maintenance of a “social license” for practicing forestry, which is critical to the viability of private forestland ownership. Funding the FPA is a responsibility shared by the public and private landowners. In Oregon, we have a history of shared responsibility for funding forestry programs roughly reflective of the mix of public and private values that are derived from forested landscapes. One issue for the near term is ensuring the viability of the FPA, its effective implementation and its legitimacy in the eyes of the public. Another issue is solving the periodic funding

challenge for ODF's Private Forests Program. The dependency on general fund dollars subjects the program to funding variation related to the strength of the state economy. The dependency of this program on general funds to provide the public share contribution for public goods and services creates uncertainty, risk and cyclical fluctuation in the program unrelated to the need to provide these public services. It is a CFF priority to help the Department find a long-term solution to this problem.

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Tier 3 Issues

- Bridging Jurisdiction. The department has served as a one-stop shop to forestland owners for information, technical services, and efficient, integrated approaches for forest management. Because of organizational and staffing changes resulting from budget reductions, the Department will be challenged to continue to bridge jurisdictional boundaries in areas like watershed, land use, fish & wildlife, and clean water, etc. CFF will look for ways to help ODF or other partnering organization to develop, redesign, or retain this bridging function that is of high importance to family forest land owners.
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- Issues of the Day. After the experience this year, it is clear that in addition to forward looking agenda items, the CFF will need to plan time to deal with issues that emerge related to economic circumstance. This work plan item is a place holder for these types of issues and reflects the judgment of CFF that these emerging issues will be a significant part of next year's work. These issues include fire liability as a barrier to use of fire as a management tool, the definition of navigability and change in access rights on family forestlands, and the concept of Higher and Better Use (HBUs) and pressure on working forests.