

Agency Budget Presentation

April 25, 2011

Spoken Word	Image
<p>1. Good afternoon co-chairs Cowan and Edwards and members of the committee, for the record my name is Doug Decker and I serve as State Forester and director of the Department of Forestry. I am pleased to be here with you today and for the next several days to lead you through the Department's budget, and to provide a window into the issues, challenges and opportunities facing Oregon's forests.</p>	<p>Title Slide [maybe a couple slides, selected text]</p>
<p>2. Our 30 million acres of forests define Oregon's spirit, history, environment and economy and represent an outstanding multi-value asset for our state today and for tomorrow. The Department of Forestry is an essential partner and leader in keeping our forests intact, healthy and working to provide the many things Oregonians care about and need.</p>	<p>Collage of four slides</p>
<p>3. Over the next several days we'll be delving into how we do that, and focusing on what Oregon's investment in the Department of Forestry will produce over the coming biennium.</p> <p>I'm joined today and this week by my key executive staff members who can assist with your questions and contribute to this conversation as we go forward. [introduce].</p> <p>Tuesday, we'll have one of our Stewardship Foresters join us to visit with you about the challenge and opportunity of administering our forest practices program.</p> <p>And Wednesday Board Chair John Blackwell will be here to provide the capstone comments to our presentation.</p> <p>I would also like to introduce our Board member Gary Springer who is here today in the audience.</p>	<p>Big Stick, scenic</p>
<p>4. Complementing our presentation is a notebook which we have provided to you, and we have several hard copies for those who would like them. The notebook is organized and tracks through the key questions that you and LFO have asked. Some of that material we'll address specifically as we move through our presentation, including KPMs and Program Priorities. I will make reference to some of that material as well as we move through, but just know that the comprehensive topic is in the notebook in its entirety. Also, at the front of the book is a copy of the PowerPoint slides that we'll be using during these three days.</p>	<p>Notebook cover image</p>

Agency Budget Presentation

April 25, 2011

Spoken Word	Image
<p>5. On a brief point of pride as we start out here, I'd like to mention that the Department of Forestry turns 100 years old this year. Co-Speaker Roblan and our Board Chair John Blackwell took a moment in February to mark the anniversary of the passage of House Bill 50 that started us out, to recognize the legislative foresight that gave rise to the agency and to recognize the partnership with forest landowners around our fire business that was then and is today the cornerstone of our agency. We're proud of our tradition of service.</p>	<p>Collage of centennial photos</p>
<p>6. We've divided our overall budget presentation into four pieces:</p> <p>First, we're going to start today with a brief overview of Oregon's forest resources that sets the stage for the conversation. Second, we'll provide a walk-through and overview of Board of Forestry and Department of Forestry operations. Third, we're going to focus in on the budget itself and key budget issues.</p> <p>And lastly—and where the real emphasis of our presentation will be—we'll focus in on a close look at our three key businesses and our agency administration programs with an eye toward understanding what this budget buys in terms of service to Oregon. <i>We're shooting to get through the State Forests program by the end of today.</i></p>	<p>Presentation Overview with 4 bullets</p>
<p>7. As we launch into this conversation with you, I'd like to emphasize four key themes that you are going to hear throughout the next several days. My hunch is that you'll hear these as well—or have already heard them—from our partners and stakeholders:</p> <p>First, and we believe a fundamental for all Oregonians, is that healthy, intact forests are vital to Oregon. Again, they define who we are and why we are here.</p>	<p>Healthy Forests are crucial to Oregon</p>
<p>8. Second is that public investment is critical to keeping forests healthy and working. Oregon has a unique partnership with landowners that matches General Fund with a variety of landowner assessments to help support our fire business and our Forest Practices Act program. That funding partnership has been crucial for the last 100 years and will be in the future...and it's a two-way street.</p>	<p>Public Investment is important to maintaining our forests</p>
<p>9. Third is that several biennia of General Fund reduction have left an imprint on our ability to deliver these services, particularly the Oregon Forest Practices Act. We fully appreciate the broader context in which General Fund reductions have been made, and the serious impacts they have had on Oregonians well beyond the forest topics we focus on here. Still, that imprint does affect forest protection and forest health.</p>	<p>General Fund reductions impact forest protection</p>

Agency Budget Presentation

April 25, 2011

Spoken Word	Image
<p>10. Lastly, we're pleased that the Governor's Balanced Budget helps retain healthy, working forests through his commitment to fire funding, and in making limited restoration to the Forest Practices Program. We'll touch on rebuilding the Forest Practices Program tomorrow, but just know we're energized about this, and we've begun that conversation with the landowner community and others.</p>	<p>There is strong support...</p>
2. Overview of Oregon's Forests	
<p>11. OK, with that as prologue, let's move into an overview of Oregon's forests. Our purpose in taking a few moments to do this is to characterize forest land ownership, different forest types, and the wide variety of values and benefits Oregonians count on from forest land.</p>	<p>Chapter title over beautiful forest picture, or statewide map</p>
<p>12. 48 percent of Oregon's 62 million acre land area is covered by forest—that's about 30 million acres. As Oregonians, we take pride in the diversity of our landscapes. Tree species and specific forest types mirror those landscape changes, ranging from the Sitka spruce coastal fog belt of the far west, to the dry lodgepole and ponderosa pine forests of south central. Oregon has some of the best tree-growing land in the world, particularly across western Oregon where the combination of soil type and climate produces excellent growing conditions.</p>	<p>Forest map</p>
<p>13. The diversity of forest type is matched with a diversity of landowner types as well. Owners include families and individuals, Indian tribes, industrial landowners, ranchers, and federal, state and local governments. Ownership sizes vary from a few acres to hundreds of thousands. Forest owners have widely differing management goals and face differing circumstances – factors such as the location, health and productivity of the land, and funds available to invest in forest management.</p>	<p>Landownership pie chart</p>
<p>14. I want to take a moment to characterize each ownership type, and touch on how our services and programs interact with each type. State, tribal and other publicly owned forests make up about six percent of the total forest landbase; with state forests at about three percent. We'll get into this later, but there are two types of state-owned forests in Oregon, Common School Lands managed by us for the Department of State Lands and the Common School Fund; and Board of Forestry-owned lands managed by us to achieve "greatest permanent value," which the Board of Forestry has defined as a sustainable flow of social, economic and environmental benefits for the people of Oregon. Again, we provide fire protection and forest practices administration for most of these forests, and obviously manage the state-owned forest lands.</p>	<p>State, tribal and other</p>

Agency Budget Presentation

April 25, 2011

Spoken Word	Image
<p>15. Private forestlands make up about 34 percent of Oregon’s forests and are divided between industrial holdings managed primarily for environmentally sustainable timber production; and family forestlands whose owners have a wide variety of goals for their lands.</p> <p>Our two primary businesses that connect with private landowners are fire and forest practices and as I mentioned earlier, both ownership types provide funds that are matched with General Funds to make those services possible.</p>	<p>Private forests</p>
<p>16. Federal lands are by far the largest block of forests in Oregon, representing 60 percent of all forest lands, mostly owned by the US Forest Service and Bureau of Land Management. Much of this ownership is managed with a “reserve” approach intended to conserve or restore the characteristics of older forests. Many of these lands, particularly in drier regions, face serious forest health problems, including increased vulnerability to insect and disease activity and to unusually hot, destructive wildfires that affect neighboring lands or communities.</p> <p>We provide fire protection on all of the Bureau of Land Management lands in western Oregon, and we cooperate closely with both agencies on fire protection.</p>	<p>Federal Forests</p>
<p>17. In addition to these 30 million acres of what we think of as “wildland” forest, we also should include Oregon’s urban forests—trees in neighborhoods and other developed landscapes—which have tangible benefits in property value, retention of storm runoff, contributions to “green infrastructure,” and other values. Our Urban and Community Forests program—which is entirely other funded—provides technical and policy support to communities related to their urban forests.</p>	<p>Urban Forests</p> <p>Urban forest shot</p>
<p>18. Across all these lands are a tremendous variety of benefits: social, economic and environmental. I want to take a moment to account for some of these and put them in perspective.</p>	<p>Social, Economic and Environmental Benefits</p>

Agency Budget Presentation

April 25, 2011

Spoken Word	Image
19. The forest sector remains a significant source of jobs. Based on OFRI's Forest Facts and Figures 2009 information the forest sector accounts for 3.5 percent of total employment in Oregon. Forestry products and services employ over 47,000 people directly, generating an annual wage income of \$2.1 billion. The primary forest products sector pays an average annual wage of \$43,952, which is 8 percent higher than the state's average wage of \$40,742. Oregon is the nation's number one producer of lumber and plywood. And, indirectly, our forests provide employment for many others involved in a variety of businesses ranging from recreation to special forest products gathering.	Economic Benefits
20. Oregon's forests make significant contributions to revenues that provide a wide range of public services, including schools, roads, and health clinics.	Support for public services
21. Of all Oregon's land types and uses, forests provide the highest quality drinking water. And, the vast majority of Oregon's drinking water starts out on forest land. [explain graph] <i>Data from DEQ</i>	Clean water- graph that shows forests as highest water quality
22. Technologies and markets for woody biomass make Oregon's forests a potential important supplier of raw material, where thick, overstocked stands like this can be thinned down, allowing the remaining trees to grow stronger and healthier, providing jobs in the process, and generating biomass material that can be used to generate energy.	Biomass potential
23. Forests provide Oregon's greatest diversity of wildlife habitat types and biological diversity. Managing for these values is an important objective, particularly on federal lands.	Wildlife habitat
24. Our forested vistas define our character and personality as a state, while providing a home and backdrop for a wide range of year-round recreational activities and permanent intrinsic values.	Social Benefits Collage of rec shots
25. New markets are opening up that recognize the value of trees to sequester carbon from the atmosphere. For some landowners, capitalizing on these new markets can be the margin between being able to keep forests as forests, and losing lands to other uses.	Carbon Storage Standing tall trees
26. From aesthetics to economics—and with all of these other values factored in—forests make significant contribution to a community's well being and viability, from rural Oregon, to urban Oregon.	Community well-being

Agency Budget Presentation

April 25, 2011

3. Board and Department of Forestry	
27. I'd like to shift now to provide an organizational overview of the Board and Department of Forestry, including focusing on our mission, vision, and program priorities.	Chapter title Board of Forestry Department of Forestry
28. The seven-member citizen board is appointed by the Governor and confirmed by the Senate and is responsible for overseeing all matters of forest policy in Oregon. The Board expresses an overarching forest policy for Oregon through its policy document known as the <i>Forestry Program for Oregon</i> , which is updated every several years. Under this umbrella it has created and monitors a series of strategies and indicators aimed at promoting sustainable forest management. It oversees the operation of the Department of Forestry, including the management of about 700,000 acres of Board of Forestry-owned forest lands.	Board tour and FPFO
29. John Blackwell is our current chair. Board members represent a range of interests. The Board holds five meetings in Salem each year, and has increasingly held additional meetings and field tours in communities around Oregon to better connect with and understand local forestry issues.	Board photo chart
30. Let's focus in on the Department of Forestry. Our mission is: <i>To serve the people of Oregon by protecting, managing, and promoting stewardship of Oregon's forests to enhance environmental, economic, and community sustainability.</i>	Mission
31. We are a staff / field organization, with our key program areas based in Salem and with three distinct geographic areas, where the programs are implemented. Salem is the home of each program's policy, planning and budget development, and the base for the administrative and support programs. The State Forester supervises Division Chiefs and multiple key business functions.	Salem Org chart
32. The three geographic areas of the field organization are include 14 districts and several other unique units like South Fork Inmate Camp, the Tillamook Forest Center and our forest tree seed orchard in St. Paul. District Foresters supervise implementation of agency programs at this local level and coordinate closely both with their regional or area directors, and also with the Salem programs they are responsible for implementing. In turn, this capacity provides the full support needed to implement a successful fire program. It takes the entire department, field and staff to provide the fire protection during fire season. Every ODF employee has language in his or her position description noting that fire duties are a top priority for all positions. We also utilize contract	Field Org chart

Agency Budget Presentation

April 25, 2011

Spoken Word	Image
<p>fire crews, allowing us to be very efficient and effective. <i>more</i></p> <p>Together—Salem and field—the agency represents about 896 full time equivalent positions. 600 year-round positions and then during the summer, we typically hire approximately 600 seasonal positions, mostly related to our fire business.</p> <p>Utilizing this organizational capacity, and with our mission in mind, here’s what those funds buy for Oregon over the next two years:</p>	
<p>33. Protection from fire on 16 million acres of forest—an asset valued at more than \$60 billion.</p>	Fire Protection
<p>34. Enforcement of the Forest Practices Act on 10.7 million acres of private land, protecting important forest resources, ensuring reforestation and providing the necessary regulatory framework for the forest sector.</p> <p>I’d like to make a footnote for our discussion in the next several days about the Forest Practices Act...the GBB would restore some capacity for us to rebuild this program from its current reduced state, something there is strong support for across a wide range of interests.</p>	Protecting Natural Resources
<p>35. Sustainable forest management of 821,000 acres of state-owned forest land to provide revenue, raw material, and social and environmental benefits.</p>	Managing State Forests
<p>36. Here’s a look at our top seven program priorities, which includes these three key programs and several others sub-program elements. A complete list of our program priorities—all of which line up and serve these three key businesses—is on page 6-1 of the notebook.</p>	Program priority list
<p>37. I’d like to touch on how these three key businesses directly benefit Oregon and Oregonians:</p> <p>First, our nationally recognized fire program protects the resource and helps shield the General Fund from catastrophic fire costs by keeping most fires small.</p> <p>The forest practices program safeguards soil, water and air quality during forest operations and in turn provides a stable base for business investment in Oregon’s forests.</p> <p>Stewardship of state-owned forest lands contributes to schools, local economies, habitat, recreation opportunities and the overall Oregon quality of life.</p>	Direct benefit to Oregonians

Agency Budget Presentation

April 25, 2011

Spoken Word	Image
<p>Effective leveraging of partnerships to stretch the public dollar, both in the fire and forest practices programs, where General Fund is matched with landowner assessments, makes these services possible.</p> <p>Policy leadership and forward-looking plans and strategies work to influence federal forest policy issues, and to surface and respond to emerging needs and trends in forestry.</p> <p>The Department is proud of its tradition of providing these benefits to Oregon through the investment level that you authorize and that all Oregonians make in us. That investment level necessarily changes over time—we understand that, appreciate the larger state context in which we operate, and have been responsive to past changes.</p> <p>Today, with the Governor’s Balanced Budget—and through the co-chairs’ budget—we feel we’re on the threshold of being able to better fulfill our statutes and administrative rules.</p>	
4. Governor's Balanced Budget	
<p>38. Let’s segue now to a careful look through the GBB to understand where those investments would be made, funding sources, the budget issues addressed, and the bottom-line issues affecting our programs.</p>	<p>Chapter title slide: Governor’s Balanced Budget for ODF</p>
<p>39. The GBB consists of \$310.8 million total funds. Let’s touch on the major fund types, and in a moment drill down for the details on each source.</p> <p>\$46 million in General Fund monies are in the Fire Protection and Private Forests programs.</p> <p>The \$3 million Lottery Funds, \$700,000 is Measure 76 dollars to be passed through ODF to local forest health collaborative working on implementing recommendations from the Board’s Federal Forest Advisory Committee. The remaining amount is for the 2011-13 portion of the debt service payment for the Gilchrist State Forest purchase approved by the 2009 Legislature.</p> <p>The \$260 million in Other Funds and Federal Funds are in all three operating programs and in Agency Administration.</p> <p>Let’s take a look at where those other and federal funds come from and how they are used...</p>	<p>GBB Table by fund type</p> <p>Note an increase of 2.5 percent from 09-11</p>

Agency Budget Presentation

April 25, 2011

Spoken Word	Image
<p>40. The largest source of Other Funds revenue for the agency is from timber sales on state lands. This revenue funds the State Forests program. Market demand for wood has been low in recent years. Economic indicators continue to suggest that demand for wood for housing starts continues to push out into the future.</p> <ul style="list-style-type: none"> • There are a variety of private and public fire protection land owner assessments that fund the Fire Protection program. • The Fire Protection program also charges for protection contracts on federal lands and other services. The largest contract is with BLM which is for approximately \$6 million per fiscal year. • Another source of revenue is the harvest tax paid by all timber harvesters in the state. Harvest tax pays for 40 percent of the Forest Practices subprogram. • Smoke management and slash abatement fees fund their respective programs • Federal Funds: Approximately 15 percent of the agency budget is Federal Funds. The agency receives federal dollars in the form of grants and reimbursements from the US Forest Service, BLM, FEMA and other federal agencies, and supports the Fire Protection and Private Forests programs. The outlook for the federal dollars appears uncertain due to the federal budget situation. • ARRA Outlook: The agency received about \$23 million under the American Reinvestment Recovery Act of 2009. The agency has until December of 2012 to spend these dollars. 	<p>Major Other Funds & Federal Fund Revenues</p>
<p>41. Here's a look at our budget by program area so you can get a sense of how these dollars are apportioned.</p> <p>Fire Protection is the largest single program with about 40 percent of the budget, followed by State Forests with about 27 percent, and Private Forests with about 12 percent of the total budget. Administration consists of about nine percent of the budget.</p>	<p>GBB by Program Area</p>

Agency Budget Presentation

April 25, 2011

Spoken Word	Image
<p>42. ODF's share of GBB General Fund is \$46.1 million. 74 percent is in the Fire Protection program, 20 percent in the Private Forests program and six percent is for debt service payments. A portion of these funds also helps support Agency Administration.</p> <p>Under current law, there is a 50-50 split between private landowners and the state General Fund in the cost of basic fire protection. Under the GBB, the private landowners' share would increase to 55 percent, however the Governor has expressed his commitment to maintain this at 50-50 through a supplemental budget.</p> <p>For every \$1 of General Fund spent in the Fire Protection program, there is approximately a \$2 match from public and private landowner dollars.</p> <p>On the Forest Practices side of the house, you'll recall that under current law, there is a 60-40 split between the state General Fund and Harvest Tax dollars for administration of the Forest Practices Act. The General Fund dollars are important because of the public benefits received from forest land, including fish and wildlife habitat, clean water, reforestation and other protections.</p>	<p>GF by Program Area</p>
<p>43. Let's have a look at other aspects of the GBB...we've mentioned the change in the fire funding split, the first bullet here.</p> <p>Also, the GBB provides partial funding for some specific fire-related functions. In the past, our agency budget has included a Special Purpose Allocation (also called a SPA) within the Emergency Board Fund to cover our fire insurance premium and severity resources like air tankers and helicopters. Instead, the GBB does not include a SPA, but puts \$2.1 million into the regular agency budget to cover these costs only for the first fiscal year. This is \$2.6 million in General Fund less than the funding provided for the premium and severity aircraft via a SPA in the current biennium. The notion incorporated here is that we would go back to the E-Board in the second fiscal to make the case for that special purpose appropriation.</p> <p>The bottom line on this is that the GBB reduces \$1.2 million General Fund, and \$800,000 in Other Funds for these important firefighting resources.</p> <p><i>more</i></p>	<p>2011-2013 Governor's Balanced Budget</p>

Agency Budget Presentation

April 25, 2011

Spoken Word	Image
<p>On the plus side, GBB adds \$1.2 million in General Funds, above the current service level, for implementation of the Forest Practices Act. Together with matching Forest Products Harvest Tax, this would allow for important restorations in field capacity to ensure resource protection.</p> <p>GBB adds \$600,000 in General Fund to re-align the agency's administration costs among the agency's operating programs based on the latest administrative pro-rate study as directed by the Secretary of State's audit. Under this approach, the programs pay based on their usage of agency administration.</p> <p>GBB provides \$700,000 in Lottery Funds as pass-through dollars for non-governmental entities to work on early detection and response to forest health threats.</p> <p>As with other state agencies, the GBB includes a 5.5 percent reduction in staff salaries and benefits from the Current Service Level budget, applied statewide. The budget also includes an across-the-board elimination of standard inflation funding from the Current Service Level budget. The bottom line on is that it reduces \$1.4 million in General Fund, \$7.7 million in Other Funds, and \$1.4 million Federal Funds.</p>	
<p>44. A natural resources stakeholder group operating last fall and this winter brought all state natural resource agencies and interests together to look carefully at the amount of GF present in natural resource programs, and to suggest some changes. One thing the group found was that public investment in natural resource protection is essential, commensurate with public benefits; and that natural resource industries provide 37 percent of state GDP, while receiving only one percent of General Fund allocation across all natural resource agencies.</p>	<p>Statewide GF allocation</p>
<p>45. You'll note from this FTE chart that agency FTEs have stayed mostly flat well back into the mid 1970s, even though additional rules, policy and regulatory requirements have made our work much more complicated and time consuming. And just to point out, this graph shows our approved position authority, not how many employees we have.</p>	<p>Full Time Equivalents</p>

Agency Budget Presentation

April 25, 2011

Spoken Word	Image
<p>46. The bottom line, relative to the GBB, is that continued public investment via General Fund is essential to keeping forests as forests to provide public benefits (clean air, clean water, recreation and intrinsic values);</p> <p>That as costs increase on the landowner community—particularly in eastern Oregon where lands are less productive and harder to make profitable—there will be higher pressure to convert lands out of forest use;</p> <p>And that given the focus on restoring the effectiveness of our Forest Practices Act enforcement we’re committing to a comprehensive review of forest practices service delivery.</p>	<p>The Bottom Line</p>
<p>47. A note about how we’ve organized the program review portion of this presentation today, and for the next two days. As we delve into each of our businesses, we’ll focus first on the purpose of that business or program. We’ll then move to the strategies we use to deliver those services. Next, we’ll focus on funding sources and mechanisms. Results will describe the bang for the buck we produce. We’ll provide context about the surrounding budget environment for this business and the challenges we see. And lastly, we’ll touch on how the Governor’s Balanced Budget treats this particular business. We’ll keep this format for State Forests, Private Forests, Fire and Agency Administration.</p>	<p>A guide to program review...</p> <p>Purpose Strategies Funding Results Budget environment/challenges GBB</p>

Agency Budget Presentation

April 25, 2011

Spoken Word	Image
5. State Forests	
48. Next, let's turn our focus to our State Forests program.	State Forests Title Slide
49. You'll recall from our overview that state-owned forests represent about 3 percent of all Oregon's forests lands...821,000 acres.	Ownership pie map (SF3)
<p>50. You can see from the map that they are located primarily in northwest Oregon in the form of the Clatsop and Tillamook State Forests. We also have the newly dedicated Gilchrist State Forest in northern Klamath County, which we'll touch on further in a moment. We also have the 93,000-acre Elliott State Forest—Oregon's first state forest dedicated in 1930—located on the south coast.</p> <p>The Elliott is a distinct type of state-ownership, known as Common School Forest Land that ODF manages under the 2005 Common School Forest Land Management Agreement with the State Land Board and the Department of State Lands. Common School Forest Lands are trust lands granted by the United States to the State of Oregon upon admission to the Union to finance public schools.</p> <p>Common School Forest Lands, make up about 15 percent of the total state forests ownership. These lands are managed according to the Oregon Constitution to maximize revenue to the Common School Fund. The remaining state forest lands—85 percent of our ownership—are owned by the Board of Forestry and managed under statute and administrative rule to ensure “greatest permanent value.” We refer to these as Board of Forestry lands.</p> <p>East of Salem here in the Santiam Canyon we have the Santiam State Forest. The Sun Pass State Forest is just south of Crater Lake. And there are scattered state-owned forest lands in a dozen other western Oregon counties.</p> <p>A historical nuance to appreciate about these blue Board of Forestry-owned state forest lands is that they were all privately owned forest lands that had been harvested and burned up until the 1930s before transitioning into state ownership, when the counties deeded these acres to the state with the expectation that future revenues would be returned to the counties.</p>	State Forests Map

Agency Budget Presentation

April 25, 2011

Spoken Word	Image
51. The Department of Forestry manages state-owned forests to achieve a sustainable flow of diverse benefits. The challenge has always been and will likely always be in getting that balance and mix just right. Here's a walk-through of those purposes and benefits.	Purpose Managing State-Owned forests
52. Timber harvested from Board of Forestry lands provides important revenues to the counties, who are the primary financial beneficiary on Board of Forestry-owned lands, receiving two-thirds of the revenue. And of course the raw material generates jobs in local economies. The department retains one third of timber revenues on these lands to provide for their management...more on that in a moment.	Program Purposes: Revenue and Raw Material
53. Here's a look at revenues contributed to the Common School Fund and to local counties from both types of state-owned forest land, looking back to 2001. [Point out which is which]. In the last 10 years, these lands have contributed more than \$600 million to these important beneficiaries.	Revenue Distributions 2001-2010
54. These Board of Forestry lands are also managed in a way that develops diverse habitats for fish and wildlife. Because of the history of northwest Oregon state forests—remember they have been burned and salvage logged—the forests growing now are not as diverse as they have been historically. Today, only 15 percent of these forests represent a higher level of diverse forest structure, with the majority of the forests being much younger and more uniform. Getting to a better mix and diversity of stand types ensures better habitat conditions, which is one important purpose of the program.	Program Purposes: Diverse Habitats This Pie Chart
55. State Forests provide a full range of recreation opportunities, from motorized, to non-motorized, including camping, hiking, fishing, picnicking and many other uses. We cooperate closely with the Oregon Parks and Recreation Department—which helped us create our Comprehensive Recreation Management Plan, by the way—but recognize State Forests have a different niche to fill than the State Parks niche. State Forests typically provide more dispersed and primitive recreation opportunities, and typically in areas that are less heavily used than Oregon State Parks venues.	Program Purposes: Recreation Collage of recreation uses
56. Connecting Oregonians with learning about forests is a very important aspect of our business. We feel that managing these lands today and in the future requires an informed public. We also recognize that Oregon's gradual urbanization—taken in context with changing trends of leisure and discretionary time—means that fewer people connect with and fully understand the complexity of natural landscapes...particularly kids. This aspect of our business	Program Purposes: Interpretation & Forest Education Collage of interp shots, kids, TFC

Agency Budget Presentation

April 25, 2011

Spoken Word	Image
<p>represents less than 5 percent of the State Forests program budget, but in many ways it's the public face of the business, and a bridge to life-long learning and an appreciation of the natural world for tens of thousands of young people.</p>	
<p>57. The Board is about to complete its update of the Forestry Program for Oregon, its statewide forest policy document. Its top priority expressed there is the notion of keeping forests in forest use. Last year, the Board—working with the Legislature and Governor's office—focused its energy on this priority by acquiring the Gilchrist State Forest...land that had been on a pathway to go out of forest use. Working with you, it also updated its statutory forest acquisition authority to provide flexibility related to this priority in the form of being able to—depending on available funds—enter into conservation easements and even partnerships to acquire lands that are on the brink of going out of forest land use.</p> <p>The Board has signaled its interest in thinking about state forests as one possible hedge to the loss of forest land. There is historic precedence for this, dating back to the earliest state forest acquisition policies of the 1920s and 1930s with this exact intent in mind.</p>	<p>Program Purposes: Keeping Working Forests Working</p> <p>Gilchrist photos (dedication and scenic)</p>
<p>58. Let's touch on our primary program strategies, and we'll start with a look at our sideboards.</p> <p>Framing our program strategies are mandates, statutes and policy that include Greatest Permanent Value on Board of Forestry lands, and the constitutional mandate to maximize contributions to the Common School Fund on Common School Forest lands.</p>	<p>Program Strategies Statutory sideboards: GPV and Constitution</p>
<p>59. We're dedicated to continually improving our knowledge about these lands, best science and our ability to monitor our performance. This has admittedly been a challenge given significant workforce reductions. Still, through Board of Forestry-adopted program-specific performance measures, and our KPMs, we're interested in continually having a look at how we're doing and seeking areas for improvement.</p>	<p>Program Strategies Continuous Improvement:</p>

Agency Budget Presentation

April 25, 2011

Spoken Word	Image
<p>60. ODF is committed to using monitoring and research as a key strategy to generate and utilize new information as it becomes available. This adaptive management approach ensures that the best available knowledge is acquired and used efficiently and effectively in forest resource management programs.</p> <p>This approach explicitly acknowledges uncertainty about the outcomes of implementing management policies and deals with this by treating management activities as opportunities for learning how to manage better.</p> <p>Right now, we are invested in eight research cooperatives and seven other ODF specific research projects, a key investment being the Trask River Watershed Study, which will help us determine the effects of forest harvest on small non-fishing bearing streams.</p> <p>Funding for research and monitoring has decreased due to budget constraints, but will be one of the early investments we bring back when the market turns.</p> <p>Options to consider mentioning here: Changes occur at three levels. The Board's policy decision to revise the NW and SW FMPs in 2010 and the current work underway that will likely result in a new ESF FMP. There are likely pros and cons to responsiveness. Changes are happening right now to revise Implementation Plans to align, which will result in changes at the ground level.</p>	<p>Program Strategies: Adaptive Management</p>
<p>61. A fundamental strategy at the heart of our State Forests business is collaboration with partner agencies, county governments, forest users and research cooperatives. We work very closely with DSL, ODFW, OPRD, Corrections and other agencies at the big picture level, and on specific on-the-ground projects. We are in regular and frequent conversation with the counties through their statutory Forest Trust Land Advisory Committee to the Board of Forestry.</p> <p>A variety of local advisory groups—including the State Forest Advisory Committee and local recreation advisory committees—help us offer a window into the business, and to gain outside input and insight. Working partnerships with recreation groups provide thousands of hours of volunteer assistance for trail patrol, trail maintenance and many other functions.</p> <p>Our JE Schroeder Forest Tree Seed Orchard in St. Paul is another example of collaboration: we have pulled together a wide network of forest land owners who contract with a research cooperative that we operate to grow improved forest tree seed. <i>more</i></p>	<p>Program Strategies: Collaborative Relationships</p>

Agency Budget Presentation

April 25, 2011

Spoken Word	Image
In many ways, these types of collaboration define our culture and way of doing business, but they're also indispensable strategies when it comes to the business of managing these state-owned forests.	
62. Oregon's state-owned forest business is entirely self-sustaining through timber sale revenue and some user fees. There are no General Fund dollars involved in this program. There are obvious pluses and minuses associated with that: in a constrained General Fund environment, we should be able to continue. Of course that makes us much more sensitive to changing market conditions and changes to the overall regulatory framework...both challenges we'll touch on in a moment.	Funding Scenic
63. As we assess the budget environment in which this program operates, several challenges come to mind, and a good place to start is simply having adequate revenues in the current economy to fund sustainable forest management. Because we are self-funded, with the market demand for wood low at the moment, having sufficient funding to operate all aspects of the state forests business is a challenge. In the last two years, we have made a 30 percent reduction to the State Forests workforce, which has impacted our ability to deliver on virtually all aspects of the State Forest business, and the fire business as well because many of our highly trained fire managers work most of the year in State Forests.	Budget Environment & Challenges Adequate revenues for sustainable forest management
64. Working closely with the Department of State Lands and the State Land Board, we have continued to focus on ways to improve the financial performance of this type of forest land, both through administrative processes and accountability, but also through forest management plan revisions.	Budget Environment & Challenges Financial Performance of CSL
65. 20 years ago, State Forest management plans were really timber management plans that focused primarily on the revenue generation aspect of the business. Since then as science, public values and policy have evolved, the job of managing state forests has become much more complex. Today we produce and implement forest management plans that focus on multiple resources and strategies, and involves a wide range of opportunities for input. We also utilize performance measures for ongoing evaluation. Our forest management business of today operates in a much more complicated context technically, regulatorily, and politically...an observation on the nature of the business today, and the necessary energy and investment it requires.	Budget Environment & Challenges Increased complexity due to evolving values, demands and risks

Agency Budget Presentation

April 25, 2011

Spoken Word	Image
<p>66. As a self-sustaining business, we depend on that one-third share to fund our entire operation, across all these multiple resource values to manage Board of Forestry lands.</p>	<p>Budget Environment & Challenges Uncertainty in revenue outlook</p>
<p>67. We keep a close eye on housing starts and other economic indicators that suggest where the demand for wood—and the forest products market—may be heading. In fact, we’ve seen a clear correlation with housing starts and the value we receive for wood harvested from state forest land. Recent housing start data seems to suggest that any real recovery continues to push out into the future.</p> <p>However, the recent increase in demand for lumber and raw logs in China and Japan has had a positive impact on stumpage prices in Oregon.</p>	<p>Housing Start Chart</p>
<p>68. Because we have made significant reductions to the State Forest workforce—while also deferring on investments back in the landbase and on maintenance—we have a tight margin to be able to respond to what we hope will be more positive economic trends.</p>	<p>Budget Environment & Challenges</p> <p>Retaining flexibility</p>
<p>69. Here’s a look at the state’s share of revenue from harvest on Board of Forestry lands...that one third we keep for forest management expenses.</p> <p>In the past we have liked to keep six months worth of operating revenue in that fund, but as you can see—due to reduced markets—that has become problematic. Two factors have been key to meeting our objectives and maintaining a positive fund balance as long as we have: 1) Starting with a healthy fund balance when the market dropped and 2) implementing a 30 percent reduction. As the market improves, we will need a measure of flexibility to respond with timber sale planning. And we’ll also want that measure of flexibility to reinstate key aspects of our research,</p>	<p>FDf Balance</p>

Agency Budget Presentation

April 25, 2011

Spoken Word	Image
monitoring, forest inventory development, recreation, young stand management activities and other elements of the business not currently funded at long-term sustainable levels.	
70. Remembering that there are no General Fund dollars in the State Forests budget—it's all Other Funds—the Governor's Balanced Budget maintains the current service level for state forests, which is \$92.1 million.	Governor's Balanced Budget Maintains current service level of state forests

Agency Budget Presentation

April 25, 2011

Spoken Word	Image
6. Private Forests	
71.	Title Slide
72. Today's focus is our Private Forests program. Returning to our ownership overview, about 34 percent of Oregon's forestlands are privately owned. Just over half of these lands are in large industrial holdings managed primarily for timber production. The rest are in enormously diverse, smaller holdings – diverse as to size, location, and the interests and objectives of their owners.	Ownership pie chart
73. Our Private Forests Program's purpose is to protect natural resources on all these lands, and to help to keep them healthy, intact and working – at a time when pressure to convert them to non-forest use is rising. This mission rests on the premise that a healthy, diverse private forest land base provides values for all Oregonians.	Purpose (purpose statement)
74. To orient you briefly, family forestlands—about 15 percent of Oregon's total forest landbase—are shown in red on this map. These are the forests most Oregonians see every day. They're often closest to our cities, roads and major waterways. Because of their nearness to developed areas, they're often at particular risk of fragmentation or conversion to other use. Many of these lands are on the cusp of transition in another way: Their owners are getting on in years. There may be pressure to sell them to meet family financial needs. Or, the next generation may have varying degrees of interest in retaining these lands as forests. There is much unrealized value in these lands – in timber harvest, conservation values and other areas – <i>if</i> the owners have access to the required expertise and support. This is part of the Private Forests Program's challenge. The larger industrial holdings are shown in orange. With harvests on federal lands at low levels, these lands provide about three-quarters of Oregon's timber harvest. This harvest has continued at a sustained level for many decades, subject to market variations. These lands are the primary raw material supplier for the state's forest sector, which employs more than 47,000 people directly, with annual wage income of about \$2.1 billion About 80 percent of these industrial private lands are managed under one of the international systems that certify sustainability in forest management. Outcomes from these systems are generally in harmony with the Oregon Forest Practices Act. The relationship between certification and the Forest Practices Act is worth exploring as we evaluate how best to provide forest practices services in the future.	Map of forest landownership types

Agency Budget Presentation

April 25, 2011

Spoken Word	Image
75. This chart speaks to the total number of private forest landowners in Oregon. To simplify, you can see there are 140,000 different owners, who own less than 500 acres each. And many of those owners have unique forest management objectives. It's a complex mosaic, with thousands of landowners managing for different objectives.	Ownership chart
76. The Forest Practices Act, of course, is a cornerstone of environmental protection in Oregon. It is vital in assuring the public that private lands are managed sustainably, and in providing a stable regulatory environment for forest businesses. Enacted in 1971 and modified many times since, it regulates timber harvest, road construction and maintenance, treatment of slash, chemical use and other practices on private lands.	Oregon Forest Practices Act, with Ashley
77. It requires post-harvest reforestation, and specifies best management practices to protect water quality, soil, air, sensitive wildlife sites and other resources.	Image of reforestation, stream and / or wildlife
78. The Act also has public safety elements; it addresses landslides that may come from forestlands, and it helps to create healthy, productive working landscapes where fire danger is lessened, and where fires, if they do occur, are less complex and costly to put out. This is one of the important links between our Private Forests and Fire programs. If field foresters can help landowners succeed in managing their lands as working forests, they tend to be more resilient to fire and to the pressure to sell forestlands into other land uses. And this in turn avoids increased cost and complexity in fire protection.	Fire photo interface area
79. On this note, contributing directly to the firefighting workforce is another key purpose of the Private Forests Program. Our field foresters have years of experience and specialized training as fire managers. When the fire bell rings and the department's militia approach kicks in, these field foresters step into critical positions on our fire management teams.	Fire photo showing personnel at work
80. Our small urban forestry program, entirely federally funded and with just 3.25 FTE, helps local governments and other organizations realize the benefit of urban trees, which include enhancing the health of urban streams, reducing fire danger and hazard trees, enhancing property values, conserving energy, and filtering stormwater: key functions of urban Oregon's "green infrastructure. I live in Oregon's urban forest and I know many of you do too...70 percent of all Oregonians live in an urban forest.	Urban forestry label, and city forest-scape, or tree-planting photo already in slide deck

Agency Budget Presentation

April 25, 2011

Spoken Word	Image
<p>81. Protecting resources and assuring the ongoing health and productivity of private forestlands requires a trained and capable boots-on-the-ground presence on the landscape. A fully-funded program provides field foresters who are an information resource for landowners, neighbors, and local governments</p> <p>We're a particularly important source of information for family forestland owners, who may not have expertise in issues such as complying with the Forest Practices Act, creating a management plan, or using federal grant programs.</p> <p>Oregon's system of regulating forest practices also provides a valuable one-stop regulatory approach for landowners, addressing, for instance, clean-air and clean-water issues associated with forest operations and integrating fire protection through fuels management and industrial fire inspections.</p>	<p>Strategies – maybe with photo of forester working with landowner</p>
<p>82. An inspection or audit function is important in providing public assurance of compliance with regulations, including tree planting, shown here. With the General Fund reductions we have experienced, we've struggled to provide this assurance. The Department plans to implement a statistically valid compliance audit program that would improve our picture of compliance rates. This also stands to help us target our education and enforcement actions.</p>	<p>Reforestation photo</p>
<p>83. Research and monitoring are essential to making sure that forest regulations are achieving the expected results in the most efficient way possible. The department joins with landowners, academia and conservation groups on a variety of research projects. For example, "paired watershed" studies allow comparisons of basins that have not experienced recent harvests with basins where management activities have occurred. However, all participants in such projects are experiencing difficulties in funding research at adequate levels.</p>	<p>Alan K and inset</p>
<p>84. Understanding and managing forest health threats, such as those from insects and disease, is an important part of our resource protection strategy. Our insect and disease specialists – we have one of each – provide support to our own field foresters, and technical advice to many others on forest pests and invasive species. Their work prevents and reduces environmental and economic losses to our forests, and occurs in close cooperation with federal agencies, academia and others. The department's cooperative aerial insect and disease survey, conducted every year since 1947, is the longest-running of its kind in the nation. In the current biennium, the forest health program leveraged over \$4.6 million in federal funds to improve the health of Oregon's forests.</p>	<p>I & D Collage</p>

Agency Budget Presentation

April 25, 2011

Spoken Word	Image
<p>85. The Forest Practices Act portion of our work has historically been funded with a combination of 60 percent General Fund and 40 percent Forest Products Harvest Tax revenue. This partnership reflects an acknowledgement of the public benefits of a healthy, working forestland base (clean water, clean air, wildlife habitat...). In the current biennium, forest landowners supported a Harvest Tax rate that exceeded 40 percent of the program cost, in order to mitigate reductions in our field presence in implementing the Forest Practices Act.</p> <p>General fund also helps to support insect and disease activities.</p> <p>The U.S. Forest Service provides grants for resource conservation projects on private lands and for insect and disease management.</p> <p>All told, General Fund in the Private Forests program dropped 58 percent in 2009-2011 from the previous biennium.</p>	Funding
<p>86. We've already touched on some of the program's results, including our partnership work in insect and disease management and field research. Although strained with existing resources to provide all of the landowner education, inspection and enforcement work needed to implement the Forest Practices Act, we do continue to focus on the highest priority operations.</p> <p>We also play a leadership role in seeking new ways to enhance forest management, including supporting third-party certification of forest lands – particularly family forestlands – to be managed sustainably. One effort we're underway with involves developing a family forestland management template acceptable to the various certifying organizations and to regulatory agencies.</p> <p>We've also worked closely with federal agencies to negotiate a Safe Harbor Agreement for landowners, relating to northern spotted owls. This allows landowners who enter a long-term stewardship agreement with us to voluntarily improve owl habitat, with a commitment that down the road, they will still be able to go ahead with management plans and activities.</p> <p>We also provide leadership and expertise on biomass use, carbon storage, and forest health and other management issues on the federal lands that form such a large part of the forestry picture in Oregon.</p>	Results

Agency Budget Presentation

April 25, 2011

Spoken Word	Image
<p>87. The capacity to deliver full implementation of the Forest Practices Act and other services that keep private forests intact and working is a major issue.</p> <p>This challenge comes at a time when the department is strained to address threats to forestland including development pressure, complexities in the wildland-urban interface, and significant changes in who owns Oregon's forests.</p>	<p>Budget environment / challenges</p>
<p>88. This long view [referring to slide] shows just where we are today in full-time equivalent staffing devoted to forest practices. In the past 30 years, we've seen many changes to forest protection laws – new requirements in road construction, reforestation, stream protection and more. You can see those coming on line in the early 1990s. However, the trend in staffing, particularly in this biennium, has been sharply downward.</p> <p>Budget reductions this biennium have included eliminating 27 of 57 field foresters – talented on-the-ground employees who enforce the Forest Practices Act and contribute to the top echelons of our firefighting leadership.</p>	<p>FTE graph</p>
<p>89. Today, each of our field foresters is responsible for overseeing more than 530 notices of forest operations – harvests, roadbuilding and the like – each year. We believe the risk of natural resource damage rises significantly when the workload exceeds about 400 notifications per stewardship forester per year.</p> <p>We also experienced the loss of biologists, geoscientists, training specialistis and others necessary to effectively support our foresters in the field.</p> <p>Essential elements of our program, such as reforestation checks, are occurring at a reduced level , and we're often unable to provide technical consultations to landowners in meeting Forest Practices Act requirements.</p> <p>The concerns that you have heard about current capacity to implement the act are valid, and require attention. In my view, addressing this, and finding ways to restore the program, are top priorities for the agency and the Board and will require a significant effort.</p>	<p>Winter logging scene</p>

Agency Budget Presentation

April 25, 2011

Spoken Word	Image
<p>90. Continuing our look at challenges: The growing interface between developed areas and wildland forest poses challenges for our staff. About 20 percent of our field staff time is spent in the interface – responding to complaints and concerns from landowners adjacent to forest operations, educating landowners and neighbors about legal requirements, and coordinating with local governments in instances where a harvest is occurring as part of a land-use change to a more developed use. These challenges are certain to grow.</p> <p>We are also seeing significant changes in forest ownership patterns. Gone is the model in which companies owned timberlands to supply their own mills. As is happening nationally, large tracts increasingly are owned by Timber Investment Management Organizations or Real Estate Investment Trusts. These owners, like others, have an array of interests, which may include selling those portions of their timberland holdings that have greater value as real estate.</p>	<p>Photo of mixed land use</p>
<p>91. This slide shows the relative value of forests as real estate, compared to their value if managed in an ongoing way for forest uses. In recent years, we've seen the real estate value exceed forest management value – by about one and a half times here in Western Oregon, and almost threefold in Northeast Oregon. Of course, economic conditions influence these numbers. In any case, these trends are likely to continue as real estate prices recover, and as milling infrastructure continues to shrink, particularly in Eastern Oregon, making timber management less viable.</p>	<p>Timber value vs real estate value</p>
<p>92. These trends, along with ownership transitions on family forestlands and increased development pressure, appear likely to accelerate the fragmentation and parcelization of forestland. About 300,000 acres of Oregon forest are inside urban growth boundaries or other development zones, and another 1.8 million acres of private forest are within a mile of developable areas.</p> <p>As forestlands become fragmented, the likelihood that they will be managed for forest values declines, fire protection becomes more costly and complex, and the risk of introduction of invasive species goes up.</p>	<p>House under construction at forest edge</p>
<p>93. During the discussion of our Fire program, we will touch on forest health issues on federal land, and their effects on protection of private land. There are other forest health threats as well. Addressing them successfully avoids environmental and economic losses.</p> <p><i>More</i></p>	<p>SOD Map and photo</p>

Agency Budget Presentation

April 25, 2011

Spoken Word	Image
<p>They include Sudden Oak Death, a non-native, water mold that can kill oaks, tanoaks and other species. An aggressive treatment program in Curry County has slowed spread of the disease, but there aren't sufficient funds to match available federal dollars. We're reaching our limits in ability to control this disease, the spread of which could harm Oregon's nursery and forest industries. Our best course today, we believe, is to treat the highest priority sites, delaying expansion of a quarantine area that has been established.</p>	
<p>94. While there are many challenges, there are opportunities too. For instance, biomass use could help meet our energy needs while providing jobs and improving forest health. Realizing this potential inevitably would require changes in policy regarding federal forests. Carbon storage and ecosystem services markets also may hold promise in promoting forest management. As resources allow, the department is eager to exert its expertise and leadership to investigate these and other possibilities.</p>	Biomass photo
<p>95. The highlight of the GBB for Private Forests is an increase of \$2 million for implementation of the Forest Practices Act. This enhancement would add 10 field foresters, as well as three technical specialists to support them. This would increase our forest practices capacity by 25 percent, to about 73 percent of 2007-2009 levels. It would decrease the number of operations assigned to each field forester to 450 from 530 operations per year.</p> <p>This is an important reinvestment not only in our capacity to protect forest resources, but in Oregon's forests as a whole.</p>	Governor's Balanced Budget
<p>96. In closing, as we have all discussed, it is time for a thorough review of our delivery of the Forest Practices Act and related services. Private forests remain an enormous asset to all Oregonians, and it's critical that we invest in keeping them intact, healthy and working.</p>	Closing shot Active operation

Agency Budget Presentation

April 25, 2011

Spoken Word	Image
7. Fire Protection	
97.	Title Slide
<p>98. Protecting forests from fire is the Department’s no. 1 priority. ODF protects 16 million acres – just over half of our state’s forestland base. This includes Oregon’s privately owned forests, as well as state and local government-owned forests, and, by contract, the U.S. Bureau of Land Management’s western Oregon forests. The forests under our protection are valued at an estimated \$60 billion.</p> <p>We are Oregon’s biggest fire department, and a critical part of the state’s emergency response and public safety infrastructure. We are also part of what we call a complete and coordinated system – a web of resource-sharing and operational relationships with landowners, Rural Fire Departments and other public agencies throughout the western U.S. and Canada. Our program is widely recognized as efficient and effective, and that’s a source of pride for all who participate in it.</p>	<p>Purpose: Protecting Forests from fire.</p>
99. For a little background, causes of fires on lands we protect fall into three categories, with fires started by the general public accounting for the largest number. The other two categories, as you can see, are lightning and paying owners of the protected lands.	ODF Number and Percent of Fires
100. When we look at acres burned or costs incurred, lightning’s share goes up – a reflection of the remoteness of these fires and the fact that many lightning-caused fires can occur virtually all at once, as dry lightning storms sweep across portions of the state.	Number of acres burned and percent of fires
101. Our work begins with prevention. This includes public and landowner education through a partnership with Keep Oregon Green, a non-profit organization some 70 years old. Significant elements of our prevention program include inspection of forest operations, education/public outreach, enforcement of protection laws and regulating public forest activities. The least costly fire we have is the one that never starts.	KOG Fire Prevention
102. A second important element is control of forest fuels – including prescribed burning, smoke management, and fuel treatments to protect communities, forest resources and reduce suppression costs. I’ll talk more a bit later about our work in helping to keep communities safe from fire.	Fuels treatment

Agency Budget Presentation

April 25, 2011

Spoken Word	Image
<p>103. The third element, suppression, involves maintaining a ready fire department composed of many resources – seasonal firefighters; contracted fire crews, helicopters and air tankers; inmate crews; mutual aid agreements, and incident management leadership provided by employees in every program and geographic location of the department.</p>	<p>Royce Fire Walker Range</p>
<p>104. At the heart of our strategy is aggressive initial attack, aimed at suppressing fires before they grow large enough to inflict serious resource and property damage, or threaten public safety, or run up millions of dollars in costs. Although landowners pay most large-fire suppression costs under the current system, there are costs and risks to the General Fund as well.</p>	<p>Strategies Aggressive Initial Attack</p>
<p>105. Our system is consistently effective at putting out well over 90 percent of fires at 10 acres or less. But the few fires that grow large account for most of our costs.</p> <p>The dark colored wedge at the top shows that 95 percent of all fires are less than 10 acres and represent just 10 percent of all fire program costs. We keep the vast majority of fires small, and that keeps costs down.</p> <p>By contrast, the big pink piece of the pie on the left shows that 63 percent of all fire costs come from a very small percentage of fires greater than 1,000 acres, which represents less than four-tenths of a percent of all the fires we have.</p> <p>Put simply, it's a matter of pay now, or pay more later: Investment in initial attack, and in staging crews and equipment when and where the danger is the greatest, pays off, and protects the General Fund and the Oregon Forest Land Protection Fund.</p>	<p>Cost of fires by size</p>
<p>106. I've already mentioned collaboration as a key strategy. Sharing of resources across ownerships and jurisdictions makes the most efficient use of limited resources, including close collaboration with the Oregon State Fire Marshal's Office.</p> <p>We also share resources internally, with what we call our "militia" approach. Employees across the department in different programs and positions have highly specialized skills, in fire planning, logistics, public information, etc. They leave their regular jobs to occupy specific roles in our three incident management teams, which we send to fight fires that have become too large for our local districts.</p>	<p>Fire camp photo</p>

Agency Budget Presentation

April 25, 2011

Spoken Word	Image
<p>107. Technology has great potential to increase efficiency and save money. Remote camera fire detection systems cost a fraction of the \$350,000 or so necessary to replace a single aging lookout tower, which then must be staffed. There are also advances in lightning detection, suppression equipment and other tools. Although the promise is great, budget constraints have prevented us from investing fully in these areas.</p>	<p>Remote Detection Camera</p>
<p>108. In most western states, the public bears most or all of the cost of wildland fire protection on private land. In Oregon, private landowners currently pay half the cost of basic, initial-response fire protection in our districts across the state, while public landowners pay the full cost of initial attack. All landowners pay the first \$10 million of large fire costs through the Oregon Forest Land Protection Fund</p>	<p>Funding</p>
<p>109. Oregon has a unique system for paying the cost of large fires – a one-of-a-kind insurance policy—because we are the only state that qualifies for this type of coverage, purchased jointly by landowners and the state. This diagram shows at the base, how landowners and the General Fund split initial attack and program readiness. Above that, we can see... [point out levels]</p>	<p>Pulaski diagram</p>
<p>110. In most years, large-fire costs have fallen within the landowners' share, represented by the Oregon Forest Land Protection Fund. The insurance then provides \$25 million in coverage, and the General Fund would be liable for any costs above that. I'd note that this is insurance strictly for fire <i>suppression costs</i>, and helps to limit risks to the General Fund. There is no insurance available to landowners to cover the value of timber or other forest resources lost to fire.</p>	<p>Large Fire Costs</p>
<p>111. Landowners pay in through a variety of ways, including a portion of the Forest Products Harvest Tax, per-acre assessments, and a surcharge on improved lots in forested areas – a reflection of the fire protection costs associated with that particular part of the landscape.</p>	<p>OFLPF Sources</p>
<p>112. As I mentioned earlier, we have a track record of putting out well over 90 percent of fires on ODF-protected land at 10 acres or less. One of our key performance measures is extinguishing 97 percent of fires at this size. In the last Legislative session ODF's KPM was raised from 94 to increase the effectiveness of our initial attack and further reduce the risk of large fires. The KPM was raised is an attempt to show that if we are funded and perform at</p>	<p>Results Slide of KPM 11</p>

Agency Budget Presentation

April 25, 2011

Spoken Word	Image
the 97 percent level we will, over time, decrease overall costs and damages to resources.	
113. We've also made significant progress in prevention. Community Wildfire Protection Plans have been adopted across the state. These collaborative plans identify and prioritize areas for fuel reduction, and recommend methods for protecting homes and infrastructure in at-risk communities. You can see here that a majority of Oregon counties have Community Wildfire Protection Plans in place or underway.	Community Wildfire Plan Map
114. We also continue to work with counties and communities to implement Oregon's Forestland Urban Interface Fire Protection Act (Senate Bill 360), passed by the legislature in 1997, which requires fuel reduction and other measures in areas of the wildland-urban interface that are particularly vulnerable to fire. We've started with the highest-risk and highest-priority counties. We've been completely dependent upon Federal funds to implement this act up to this point.	SB 360 Implementation map
115. Turning now to our key budget drivers and major issues, I'll begin with some broad trends.	Budget Environment
116. Over the past 10 years, we've seen the climate turn warmer and drier, producing more days each season when the risk of severe fires is greater. This slide focuses on our John Day unit and looks at the number of days the area has spent at an ERC—or energy release component value—of 72. ERC is the relationship between weather and the volatility of forest fuels, and 72 is the threshold at which we begin to experience large fires. The upshot for John Day is that in the last 10 years, we're experiencing a marked increase in the number of days at this higher level of risk for large and costly fires.	Climate change graph
117. At the same time, forest health issues are growing more serious, particularly on federal lands, with significant swaths of trees killed by insects, and overstocked stands carrying dangerously high fuel loads. These photos are from the “red zone,” a mountain pine beetle outbreak between Klamath Falls and Lakeview.	Red zone images
118. Thousands of acres of overstocked forest, much of it on federal land, could benefit from prescribed burning, thinning and other forms of fuel treatment. A combination of factors, including decades of fire suppression without other management, such as thinnings or harvests, have left these forests vulnerable to uncharacteristically severe fires. These next three photos, from the	Before Fuel Reduction

Agency Budget Presentation

April 25, 2011

Spoken Word	Image
B and B fire in the Santiam Pass area in 2003, show how fuel treatment can reduce fuel loads and increase the fire resistance of stands. This is the “before” shot.	
119. Here’s a picture after the fuel reduction treatments have been applied...thinning and some underburning to reduce flammable brush and vegetation.	After Fuel Reduction
<p>120. Here’s what it looked like after the B&B Fire burned through the area. You still see plenty of green...it was not a catastrophic stand-replacing fire in this particular area where the fuel treatments have taken place.</p> <p>Since we’re on the topic, I’d also like to point out that federal fire policies do allow the US Forest Service options other than aggressive immediate attack part of an effort to reintroduce fire on the federal landscape. However, fires don’t heed ownership boundaries, and this strategy increases risk to adjacent, land protected by ODF. The consequences include increases state suppression costs, loss of landowner resources, increases in smoke impacts and carbon emissions, increased risk to public and firefighter safety and shortages of critical suppression resources.</p> <p>These policies can discourage private investment in forestlands adjacent to Federal lands. The rub is that without the judicious use of fire, or absent some fuels management approach, these conditions will persist.</p>	After the B&B Wildfire
<p>121. During our discussion yesterday about our Private Forests program, I touched on increasing pressure to divide and sell forestland, and some of the resulting challenges. One of those is the increased cost and complexity of fire protection in fragmented landscapes.</p> <p>As lands continue to lose economic viability as managed forests, fuels will continue to build, and fire protection costs in these areas will continue to rise. Just over 20 percent of ODF-protected lands are in the wildland / urban interface, and the figure is expected to grow. In this case, no longer valuable as commercial forest land, this hillside was converted to a neighborhood. Unfortunately, fire was here first and will always be a part of Oregon’s forests, even those forests on the urban fringe.</p>	Interface fire

Agency Budget Presentation

April 25, 2011

Spoken Word	Image
<p>122. Here you can see the complexity that comes with fighting fire in the interface. You can see the firefighters between the flames and the home. This was taken during a Burnout operation in Foster Gulch in NE Oregon, outside Halfway in 2006.</p> <p>If the house wasn't there, they would have burned out from the road where the picture was taken, or from along the creek in the foreground. Firefighters had to "bump the fire" around the house, putting firefighters at risk, and creating more risks and increased costs. A logical strategy would have been to burn out from the road to the fire front to remove the fuel ahead of the fire. That wasn't possible because of this home.</p>	<p>Burnout operation near home</p>
<p>123. In general, the costs of suppression resources, such as contracted hand crews, engines, helicopters, and air tankers, is rising 6 to 12 percent each year. In some cases, resources are increasingly difficult to procure. Helicopters, for example, are in demand for other commercial purposes around the nation and the globe.</p> <p>For about 17 years, our firefighting budget has either experienced reductions or not kept pace with inflation. We work hard to fight fire aggressively and safely to keep costs down, but we must also recognize that ongoing investments in program capacity pay huge dividends in terms of preventing catastrophic fires and fire costs in the long term.</p>	<p>Capacity to meet protection targets</p>
<p>124. In each of the past five biennia, a Special Purpose Appropriation has been established with the Emergency Board, to pay the state's share of the catastrophic insurance policy, and to fund severity resources to help ODF manage extreme fire conditions.</p>	<p>Special Purpose Appropriation Truck</p>
<p>125. These "severity resources," including contracted airtankers, water-dropping helicopters, and engines can be positioned when and where fire danger is highest.</p>	<p>Special Purpose Appropriation Retardant drop</p>
<p>126. For 2009-2011, the Special Purpose Appropriation was \$4.2 million. The current amount set aside for 2011-2013 only covers one year of severity expenses. We want to work with you and the Governor's Office to ensure that we can provided these resources for both years of the coming biennium.</p>	<p>Special Purpose Appropriation Helicopter</p>

Agency Budget Presentation

April 25, 2011

Spoken Word	Image
<p>127. Lands in drier parts of the state are less productive, and therefore generate less revenue. However, much of this land is highly prone to fire. Over the past 10 years, 67 % of our lightning-caused fires and 26 percent of human-caused fires have occurred in Eastern Oregon, resulting in 70 % of the acreage burned.</p> <p>In recent years, we've developed a concept we call the Wildfire Reduction Act, which would increase investment in initial attack resources in these high fire prone areas. However, due to funding issues, we've not been able to move forward with this approach. We'll continue to explore solutions to this problem.</p> <p>I was in Grant County last week and met with two dozen landowners who are deeply concerned about how they will pay the cost of fire protection given downfalls in the timber market and the rising cost of fire protection in their area.</p>	<p>Adequate protection in Eastern Oregon</p>
<p>128. Over the past few years, we've experienced significant increases in legal and administrative actions, in several areas. I'd like to touch on a few.</p> <p>To contain costs, we've established a process and system for using contract fire crews which we make available for shared use by other agencies. Operating this contract has resulted in some legal challenges and costs, and added complexity and cost to the use of contract firefighting resources. This has prompted us to fundamentally revisit our role in managing this contract.</p> <p>On another front, the process of classifying land as forestland – and thereby making it subject to assessments for fire protection – has also proved contentious at times. This process is important, as it ensures that forest landowners are equitably sharing the cost of their responsibility to protect their lands. However, some landowners who have been recently added to the fire protection system have voiced concerns about having to pay for protection they had already been receiving but not paying for.</p> <p>Lastly, we've also seen increased complexity in obtaining reimbursement from FEMA for eligible firefighting costs. The department historically has been successful in obtaining these funds. But recent changes in interpretation of federal policy have made this more difficult and time consuming. We are currently awaiting rulings</p>	<p>Legal challenges and liabilities</p> <p>Ridgetop</p>

Agency Budget Presentation

April 25, 2011

Spoken Word	Image
<p>on numerous appeals that we have made of FEMA decisions, and potentially could be asked to repay reimbursements we have already collected, dating back to 2004. We're in discussion with FEMA regarding about \$800,000 in disputed costs.</p>	
<p>129. Given the statewide economic situation, the GBB essentially holds the agency's fire protection budget flat.</p> <p>It changes the historic 50-50 sharing of the cost of basic fire protection between the state and landowners, shifting the landowner share to 55 percent. I know because I have heard directly from landowners across the state—and particularly in eastern Oregon—that this shift would produce major challenges and consequences, particularly in areas where timber values no longer cover the costs of harvest and fire protection.</p> <p>Also, as mentioned earlier, the GBB contains only one-year's worth of funding for SPA severity resources.</p>	<p>Governor's Balanced Budget</p>
<p>130. As climate conditions, forest health problems and a growing wildland / urban interface make for more costly, severe fire seasons, the state is arriving at a significant crossroads.</p> <p>We face fundamental issues: how do we share the costs of wildland fire suppression? What are acceptable levels of risk to public and firefighter safety, to the General Fund, and to forest resources? What is the most equitable sharing of costs and of risks?</p> <p>At the heart of the matter is the future of Oregon's valuable forest landbase. More severe fires are a threat to this resource. But increasing costs of fire protection could hasten the conversion of forestland to other uses.</p> <p>We're committed to working with landowners and cooperators to keep a highly-efficient and effective firefighting operation intact, and to protect Oregon's forest resource.</p> <p>That wraps up fire, let's move on to Agency Administration...</p>	<p>Retardant drop at sunset</p>

Agency Budget Presentation

April 25, 2011

Spoken Word	Image
8. Agency Administration	
<p>131. Agency Administration provides leadership and management, policy development, public outreach and communications, as well as administrative support to the Board of Forestry and to our three key businesses, both in Salem and across our field organization statewide.</p>	Title
<p>132. This division works to ensure that the public's dollars are spent in the most prudent manner, and to ensure that the agency is operating to meet its statutory mandates within its prescribed authority.</p> <p>These units provide services that support all other agency functions. This includes human resources, business services, information technology, partnership development and transportation equipment management.</p> <p>Included here is Forest Resources Planning, which furnishes technical analysis and planning, as well as a wide variety of information on forestry issues to other divisions of the Department and to other state, federal and local agencies and the public, and to the Governor's Office.</p>	Org chart
<p>133. Several key strategies guide the work of the Administrative Services Division: Customer service is key. Agency Administration strives to provide the highest level of customer service to all our customers. We focus on building and maintaining strong working relationships both internally and externally. Customers include the Board of Forestry, agency employees, forest landowners, local, state, federal and tribal agencies and governments, non-profit natural resources organizations, academic and corporate institutions, and all Oregonians.</p> <p>We are always looking for ways to improve service delivery, both internally and externally.</p> <p>The Division also tracks all financial transactions—as well as agency-wide program implementation—to ensure compliance with state and federal laws, policies and rules.</p>	Reception desk

Agency Budget Presentation

April 25, 2011

Spoken Word	Image
<p>134. Agency Administration is almost entirely funded through an administrative prorata across all agency programs based on their usage of administrative services. There are Federal Funds that contribute to our partnership development program, and a small amount of revenue from fees charged for services and map sales.</p>	<p>Mark at computer</p>
<p>135. We measure our performance through the customer service and support we provide to our external and internal stakeholders. There are also two Key Performance Measures covered in these next two slides that we have already touched on in our review of KPMs.</p> <p>KPM #1 Customer service to county governments and forest landowners – This reflects the percent of Oregon’s forested counties and forest protection associations that rate ODF’s customer service as “good” or “excellent” based on overall, timeliness, accuracy, helpfulness, expertise, and availability of information. The agency has set a 100 percent target.</p> <p>Each year, half of the and half of the commissioners in forested counties are surveyed. We also include comments from the Board of Forestry’s Forest Trust Land Advisory Committee.</p> <p>The agency met its target on overall, accuracy, helpfulness, and availability of information. But it fell short on expertise and timeliness, a direct reflection on budget reductions and the workforce reduction we’ve experienced.</p>	<p>#1</p>
<p>136. KPM #2 Board of Forestry Performance – This measure tracks the percent of best practices met by the Board of Forestry, which focuses on 15 standard criteria for successful boards and commissions. Our Board has chosen to establish a 100 percent target for this measure.</p> <p>During its last survey on this KPM, the Board found that budget and staff reductions and inadequate financial resources were among the main barriers. On the positive side, the Board agreed that collegiality among board members, a full component of board members and chair, and excellent ODF staff work all contributed to high success and achievement.</p>	<p>KPM #2</p>
<p>137. Our budget environment and challenges are similar to other agencies who own and operate many facilities and pieces of equipment statewide. We are faced with inefficient, obsolete, often sub-par statewide business systems; inadequate administrative and business services capacity; and a</p>	<p>Deferred building maintenance</p>

Agency Budget Presentation

April 25, 2011

Spoken Word	Image
backlog of deferred maintenance .	
<p>138. We face other challenges on the human resource side of our business including recruitment and succession management.</p> <p>While I can assure you that all of these employees from 1947 are long retired, we face the annual loss of capacity and knowledge as long-term employees retire or leave the agency.</p> <p>An example of our succession management challenges: Over the next 5 years 48 percent of our Leadership Team are eligible to retire and over the next 10 years that number jumps to 83 percent. Instability in funding has led to the loss of potential future leaders as employees have left to other agencies, federal government, other states or the private sector.</p> <p>Maintaining a sufficient human resource capacity that is well-trained, experienced and well-equipped is a challenge in this environment.</p>	1947 Forestry Conference
139. As we wrap up our Agency Administration section here, I'll point out that the GBB maintains the current level of services for the division. This wraps up our section on agency administration.	State Forester's Office
9. Closing Thoughts	
140. We've covered a lot of territory in the last three days. I hope you've seen how ODF has a diverse and complex set of businesses that have evolved over time based on science, policy and public expectation and available resources. And that Oregon's investment in the Department of Forestry produces real, meaningful and cost-effective results. I'll close here with a reflection on some key themes about our work.	<p>Closing Thoughts</p> <p>Landscape image</p>
<p>141. Our forest fire business is a cornerstone of agency operations and is defined by public/private partnership.</p> <p>Our administration of the Forest Practices Act provides the regulatory framework to keep Oregon's forests healthy and working and is supported by wide spectrum of interests. This is a time to rebuild that</p>	<p>Closing Thoughts</p> <p>Collage of fire, fpa, state forests, admin photos, gleaned from earlier in the deck</p>

Agency Budget Presentation

April 25, 2011

Spoken Word	Image
<p>function.</p> <p>Oregon's state forests have a unique niche and history, and provide crucial benefits for all Oregonians.</p> <p>Our Administrative Services Division works hard to support agency business functions and to provide accountability and efficiency.</p>	
<p>142. I'm very proud of our agency's practical, partnership-seeking can-do culture that has defined a century of service. On behalf of my team here, our Board of Forestry, and our agency employees statewide, I thank you for your focus on our work.</p>	<p>Thank you</p> <p>Forest scenic (sunset?)</p>