

~Final~
Committee for Family Forestlands
Minutes
January 29, 2009

A meeting of the Committee for Family Forestlands (CFF) was held in the SunPass Room at ODF's Salem compound.

Committee members present:

Ned Livingston	Gary Springer
Craig Shinn	Susan Watkins
Sarah Deumling	Greg Miller
Rick Barnes	Brad Withrow-Robinson
Mike Cloughesy	Rex Storm

Staff present:

Kevin Weeks	Julie Welp
Peter Daugherty	Lanny Quackenbush

Guest Present:

David Ford, OSWA Executive Director

Agenda Items:

1. OSWA Legislative Agenda
2. Revenue/Budget Update
3. Stories of Family Forestland Owners
4. Update on Nursery/Seedlings
5. Safe Harbor Agreements/Stewardship Agreements
6. Communications and Other Business

Approve minutes from December 18, 2008, meeting

The minutes were approved with changes. Susan reminded the committee that Mike Cloughesy said he'd do a speaker's bureau presentation, at some point, and train the committee members as potential speakers for presentations within local communities. Also, the committee was going to thank Barbara Craig for her work on the Board of Forestry, and welcome the new members.

OSWA Legislative Agenda

David Ford, the new director of the Oregon Small Woodlands Association (OSWA), attended the CFF meeting to introduce himself and discuss what OSWA's legislative priorities are. They are the ODF budget issue, the climate change and carbon issue, inheritance tax issue, land use parity, and ODF's urban forestry mandate. The top three issues for OSWA are the budget situations for the Protection from Fire Program and the Private Forests Program, and climate change/carbon issue, and inheritance tax relief. Currently, the Protection from Fire Program and funding base fire protection at the district level are at a 50/50 cost share funding level. The governor is proposing shifting that 50/50 cost share funding balance to

55% landowner costs and 45% general fund costs. OSWA opposes this; they want it maintained at 50/50. OSWA is also interested in the fire cost equity between the landowner and the State general fund. The State has a fire insurance policy with a \$25 million deductible. The first \$15 million is paid by landowners and the remaining \$10 million is covered by the general fund. OSWA prefers a dollar for dollar parity. General fund dollars have been used maybe once in the last ten years so, essentially, landowners have been footing the entire deductible cost. OSWA also opposes the extension of a clause that changed the landowners' share from \$10 million to \$15 million. Once the clause sunsets, that will return to \$10 million. OSWA is concerned with the funding for the Private Forests Program. David Ford testified at the last Board of Forestry meeting to support Jim Paul's effort to get the Board to approve moving ahead with planning to find dollars outside the general fund to support programs landowners feel are important. This includes two things: how will the agency pay foresters to maintain the integrity of the Forest Practices Act, and how will the agency create funding to ensure the necessary stewardship foresters available to support the landowners in the future.

Rick Barnes commented that the governor and legislature really need to understand how serious the economic situation is in rural Oregon. Douglas County's unemployment rate is 12.8%, Crook County is 14%, Grant County is 15%, Coos and Curry Counties are 12%. In the metropolitan areas, unemployment is significantly lower, around 8%. The important point here is the reality of the effect the governor's proposed 55/45 cost share between landowners and the State in rural Oregon. In these tough economic times, that change would place a tremendous burden on landowners.

Ned asked if land use planning is still being used as tool for the preservation of resources. The issue discussed was about partialization, or division of large properties into smaller parcels, and the addition of more houses. David said since he's only been with OSWA for a couple months, he wasn't sure quite where they stand on this issue. Craig remarked that CFF needs to decide how to approach the issue. Sarah thinks it should be high on the committee's agenda.

David, then, brought up the carbon issue. How does the State create new revenue streams that support and change the economic dynamic of land ownership? Carbon is an opportunity. OSWA and American Forests Foundation put together Woodlands Carbon Company to aggregate family landowners. There are some requirements to participate in that. It's important that family landowners are considered part of the solution to some of the economic problems.

David moved on to the inheritance tax issue. Currently, 50% or more of a landowner's assets must be tied up in the woodland to qualify for the tax exemption. OSWA wants this reduced to 25%. With the parity issue, the question is how do forestland owners get treated the same as agricultural landowners on such things as outbuildings on the property. The recommendation coming out of OSWA's government affairs committee is to support legislation to make forestry requirements mirror agricultural requirements for the same kind of activity. The urban forestry mandate involves a couple different concepts: urban forestry that includes city trees and parks as opposed to forestry activities that occur in the urban/rural interface. OSWA members have some concern with urban forest activities that

include assistance from ODF, but then the land is converted to another use. Those landowners should be reimbursing the agency for its assistance.

Rick Barnes commented that some landowners have IRS payment schedules on their land to pay the estate tax. This works as long as there is a timber market. Without a market, it would be helpful if the interest on the IRS payments be waived. It may come to some landowners having to sell the land to pay off these loans. Craig suggested this issue become a discussion topic for the CFF.

Ned brought up fire issues. The ODF Protection from Fire Program has a fire house mentality. There's a fire, go fight it. A lot of money is being spent putting out fires. Maybe more emphasis should be placed on fire prevention rather than suppression. Craig commented that this is being discussed in the legislature now. Perhaps Paul Bell could update the committee on this topic at a future meeting.

There was a brief discussion about alternative ways to ensure best practices, varying from mass certification (e.g., Wisconsin, where entire state's private forests are certified FSC, presumably with the State as the master certificate holder) to audit systems in lieu of FPA enforcement (suggested by Weyerhaeuser to ODF). Rex noted that only 8-9 of the 30 or so states with viable forest harvests have forest practice rules and that David Ford indicated that OSWA is open to re-envisioning ODF's role in implementing best practices on private forest lands.

Revenue/Budget Update

The discussion turned to ODF's current and future budget situations. The State is looking at a 3.7% - 6.3% budget gap for the current biennium, approximately \$300 million - \$600 million. ODF has crafted a 5% reduction plan for the current biennium. Since there is only a quarter of the biennium left, that equals a 20% reduction in the remaining funds. Even with cost-saving measures, the Private Forests Program can't quite meet that 5% reduction. If the full 5% reduction is required, it will result in furloughs and potential layoffs before the end of this biennium.

For the 2009-2011 biennium, State general fund revenues may be down an additional \$1 billion. When added to the current budget gap, that would result in a 15% gap of the essential baseline budget level for the State. This 15% for ODF will be absorbed by the Private Forests Program. At this level, the program will have to eliminate the effectiveness monitoring program, all insect and disease general funding, compliance specialist and administrative support, additional managers in Salem, public affairs, GIS, the remaining geotechnical and wildlife specialists, and 5 more stewardship foresters. The 15% reduction amounts to a 45% reduction in staffing for the Private Forests Program.

Peter went on to explain that although the agency may be laying people off, we'll be building new buildings and doing maintenance on various agency properties. The funding will come from part of a State stimulus package. The State asked the various agencies for a list of "shovel-ready" projects that need to be completed. The goal is to address unemployment throughout the state. Some of the agency's facilities will be replaced or remodeled/repared. These are projects that have been planned for awhile, the agency just didn't have the money for them. Also, the State will be receiving \$4 million from the

federal government to apply to wildland fire fuel reductions. These projects had also been planned, but the department hadn't received any national fire plan money for them. The agency recently received funds through a competitive grant process. One will provide \$300,000 to address the bark beetle problem around Klamath Lake. Another \$300,000 grant will go to the Urban Forestry Program to fund 2 half-time stewardship foresters for the next biennium. They will be working in the urban interfaces in Clackamas County and in Medford to find a more effective way to deal with these areas. They will focus on land use change, and administering the FPA in urban growth boundaries and interface areas. Another potential source of funding is the federal stimulus package. It's unknown where any of those funds will go, but if it alleviates the State's total shortfall, that could ease the reductions for ODF.

Craig wanted to take a moment to summarize the ideas the committee has been discussing. The CFF should activate landowners to participate at the local level, soil and water conservation districts and such. Sarah wanted to know if there is a grant to make it possible for the agency to work with watershed councils to get an inventory of what projects are needed out there. Gary commented that the committee needs to discuss the agency finding alternate sources of public funding for Private Forests, instead of general funds. One possibility that was suggested in the past is a small surcharge on water that originates in forestlands. Eighty-five percent of the water in the state comes from forestlands. The FPA helps ensure the water coming out of the forests is clean.

Development of Action Items

Discussion turned to developing action items for the CFF. It was suggested that the committee's response that was sent to the Board be posted on the CFF website. The committee is awaiting the Board's response. Peter noted that the department and the committee made a promise to keep symposium attendees updated. The letters should be sent to the participants and OSWA/OFRI/OSU Extension to send to their constituents. A suggestion was made to send out a press release to OSWA/OFRI/OSU listing the CFF website where the letters can be found. The organizations can relay that information to their members in their newsletters. Kevin will take the lead on that. A similar letter should also be sent to the appropriate legislators. Mike offered to have OFRI mail out the letter to the symposium attendees. Ned wondered if the committee shouldn't convey the message of what the department is doing and what it ought to do and inform people how serious things are. The program also needs to prioritize stewardship duties and what services are the most important to provide to landowners.

Nursery/Seedling Update

Lanny Quackenbush updated the committee on the status of the nursery sale and the availability of seedlings. The nursery is still for sale, it's listed with a commercial real estate broker in Roseburg. It has a damaged roof. This is included in the list of projects to be repaired with funds from the State stimulus package. A company next door to the nursery wants to lease some of the nursery buildings and equipment. The nursery debt is \$1.4 million and growing due to monthly utility expenses and some frozen pipes this last winter. The debt also includes unpaid bills in the amount of \$250,000. The property has been appraised at \$2 million. Kintigh and Weyerhaeuser have planted additional seedling stock to cover Jackson/Josephine Counties. The rest of the state is covered by other providers.

Stewardship/Safe Harbor Agreements

Lanny turned the conversation to stewardship agreements. There was a provision for them in the Forest Practices Act, but it was removed, then, reinserted into state law. It required ODF and the Department of Agriculture to create administrative rules for a joint program to be utilized by both agricultural land owners and forestland owners. Unfortunately, the departments were unable to come up with many attractive incentives for landowners to want to enter into a stewardship agreement. Financial incentives are unlikely. HB 2114 created a stewardship agreement grant fund to potentially receive money for cost shares. The legislature granted the departments the authority to create the grant, but provided no funding for it. The bill also included language for regulatory certainty. The bill addresses the federal regulatory certainty, which is mainly attached to the Endangered Species Act. Apparently, there are some landowners who are choosing to harvest their trees earlier than they normally would to avoid attracting spotted owls. A Safe Harbor Agreement with US Fish and Wildlife Service allows a landowner to provide habitat for a particular species and if it arrives, it won't affect the landowner's ability to harvest. The department is working on a Safe Harbor Agreement for the spotted owl.

The Natural Resource Conservation Service (NRCS) has a program called the Healthy Forest Reserve Program with three levels of participation. A 10-year agreement provides the landowner with 50% cost share to do restoration work or activities that are good for a particular species, such as the spotted owl. A 30-year agreement gives the landowner a 75% cost share, and there is a conservation easement component where the landowner is paid for loss of value. At a permanent easement level, the property is appraised both with the easement and without, and the landowner can be paid the difference, plus there is a 100% cost share. NRCS wanted Oregon to be a pilot state for the west. They are focusing on spotted owls in Lane County and south. The NRCS program, as proposed, states that in order for a landowner to qualify for the Healthy Forests Reserve program, they must have a State Stewardship Agreement and a certificate of participation with ODF.

Included in the State's Stewardship Agreement is the exemption from public record. This allows the landowner to keep their management plans from public record, unless it's demonstrated there is an overriding public interest, such as collusion.

Other Business

The agenda for the February CFF meeting will include Mike's training presentation, and another update from Lanny on the stewardship issue. Paul Bell will also be invited to talk about the Wildfire Reduction Act.

Next Meeting

February 18