

~Final~
Committee for Family Forestlands
Minutes
November 20, 2008

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

Committee members present:

Gary Springer	Craig Shinn
Susan Watkins	Rex Storm
Brad Withrow-Robinson	Mike Cloughesy
Rick Barnes	

Committee members absent:

Ned Livingston	Greg Miller
Sarah Deumling	

Staff present:

Kevin Weeks	Julie Welp
Jim Paul	Peter Daugherty
Paul Bell	

Agenda Items:

1. Review of agenda
2. Approval of minutes
3. Wildfire Reduction Act, Protection from Fire budget issues
4. Ad Hoc meeting update, legislative strategy
5. FY 09-11 budget, reduction proposals
6. CFF response to ODF budget issues
7. Communications/Other Business

The minutes were approved as written, subject to any edits Gary may have. Susan added that the LEEDs issue from the previous still had not been resolved.

Budget/Revenue

Peter handed out the Budget Backgrounder which explained the current budget outlook for ODF. At the time the handout was written in September, there was a 3% or \$500 million gap between the essential baseline budget and forecast revenue. The governor asked State agencies for estimated budgets with a 10% reduction. The gap has now grown to 6.5% or \$1 billion. Apparently, the state economist feels this forecast is too optimistic. The economist's forecast predicts unemployment will decline in 2009, personal income is positive, although at a slower rate than previously, and the financial housing market sector will continue to decline. Peter explained the energy component. Oil prices have dropped quite a bit, but as the economy recovers, so will the oil prices. Although at the national level it's been denied that we are in a recession, any time there are two consecutive quarters of negative growth, it's considered a recession. Timberland prices have gone up, generally speaking, but there's increased pressure on timberland prices, even though the

income that can be derived from those has dropped down to 1982 levels. There was a slight decrease in the general fund in the near term. The estimate dropped \$165 million. From the September forecast to the current forecast, it went from \$24 million positive to \$142 million negative. The 2009-2011 biennium revenue forecast is down sharply, \$718 million. Now there is about a \$1 billion, or 6.5%, shortfall. The legislative fiscal office had asked State agencies to prepare a budget with a 10% reduction for the governor's '09-'11 recommended budget. The fiscal office has now asked agencies to prepare a budget with a 5% reduction for the rest of the current biennium. They are also requesting budgets for '09-'11 reflecting a 20% reduction in 5% increments.

Peter went on to explain how this will affect ODF. Earlier Program Option Packages (POPs) submitted to the budget office were positive for the program. We had requested a \$5-6 million increase which was a positive addition to the program. It was to allow the program to continue to provide the minimum level of full services to landowners. The budget reduction is a negative POP* where you propose what you are going to reduce. This year, in general, the governor's office is rejecting all POPs that include general funds. The agencies have the right to appeal this, which ODF did, but we won't hear a response until the governor's recommended budget is released on December 1. A 10% reduction of the general fund for ODF is \$4.6 million. This biennium, there are only two areas within the agency that include general funds and those are Protection from Fire and Private Forests. In the past, the agency has taken reductions across the board, but the Executive Team has concluded that we can no longer do across the board cuts. The cuts to both programs from the last budget reductions have never been restored, and both programs are at the point where any further reductions will hamper services. In the Protection from Fire program, further reductions will impact the ability to perform initial attack, which is the agency's highest priority. Because of this, the entire 10% reduction will need to come out of the Private Forests Program budget. That amounts to about a 37% reduction in the general fund portion of the program's budget. This will also affect the harvest tax portion of the budget which is linked by a cost sharing formula to the general fund. The State contributes 60% of the program's funding; the rest comes from landowners via the harvest tax, federal funds, and other small funds. The total cut to the program is \$6.7 million, or 32% of the program's budget.

Wildfire Reduction Act

Paul Bell, the Fire Protection Division Chief, joined the discussion about federal funds. The agency has been notified that there is an additional \$4 million available to the State in National Fire Plan funds. All but \$650,000 is new money. The \$650,000 replaces dollars that were taken in the large fire paybacks. The strings attached to the \$3,350,000 new dollars are that the funds can only be used in fuels reductions in conjunction with federal land (*better check on this, Julie. Jim Paul told the ad hoc group last week that the funds will be applied primarily on non-federal lands*). Peter stressed that if these funds become available, they will help the agency make adjustments to the reductions, but won't necessarily help the Private Forests Program. If the agency ends up funding stewardship foresters from this money, they won't be doing Private Forests work or landowner assistance under the traditional forestry stand improvement. They will only be doing landowner assistance related to fuel reduction.

Paul gave a presentation on the Wildfire Reduction Act. This is a Fire Division POP and a legislative concept. There are three main components to the Act. 1) Capacity: this adds additional capacity to high fire districts, which include SW Oregon, Klamath/Lake, Central Oregon and NE Oregon. 2) Severity: Currently, this is paid for by special purpose appropriation and is comprised entirely of general fund dollars. For the current biennium, the legislature set aside \$4.4 million which is used mostly for airtankers, planes, helicopters, etc. A smaller portion of the fund goes to bringing in additional contract engines, or to move resources, when necessary, as conditions change. 3) Equity in large fire funding: Fire protection is basically split 50/50 between the State and the landowners. This applies to pre-suppression and planning level, which includes initial attack. When fires escape initial attack, the funding then comes from the Forestland Protection Fund which provides \$15 million. Then, the general fund kicks in \$10 million. This, combined with the previous \$15 million, makes up the State's insurance deductible for the catastrophic wildfire insurance policy ODF has. There are \$25 million from those two sources and \$25 million from the insurance policy for a total of \$50 million to fight fires. Once that is gone, the department taps into the general fund for large fire costs, which is approved by the emergency board. This equity in large fire funding proposes that by bringing in additional capacity, it will reduce the risk to the expenditure of that fund. The State will share in the liability in payout on a dollar for dollar basis. That fund would be paid dollar for dollar truly along the 50/50 mechanism within the whole system. That's compared to the first \$15 million coming out of the landowner fund.

The increased capacity of the four districts mentioned earlier increases the number of on-the-ground fire fighters, it provides the districts additional dollars to do helicopter contracts, and brings additional equipment. It also provides "district severity money" for those districts to arrange for additional resources prior to a lightning event or entering a period of high severity. The capacity changes wouldn't occur until the second fiscal year of the next biennium. The price tag for this is \$4.6 million. ODF is suggesting that the \$4.4 million provided by the legislature be moved into the agency's budget to pay for these resources. The process for paying for the severity resources would be picked up by the Oregon Forestland Protection Fund. The fund would be paying on an annual basis for the airtankers, helicopters, and other statewide resources. The difference in the dollar figures reflects payment of the premium for the insurance capacity and for the insurance packet. That would remain at a 50/50 split between the general fund and the legislature. The three components of the Act are interwoven, so all three components must move forward together for it all to work properly. Several legislators agree with this concept. Other legislators believe that landowners who purchase property in fire-prone areas should be prepared to accept the risk that goes along with it.

ODF Budget/Reductions

Discussion turned to the affect the downturn in revenues will have on ODF reductions. The 10% budget reduction will amount to a reduction of 37 staff positions for the Private Forests Program. Approximately 23 of those will be stewardship foresters. A 15% reduction would leave the program with about 12 positions in Salem, where there are currently 31 program staff. The field would be left with less than 30 stewardship foresters, or about half the current number. That works out to seven or eight foresters per area, with each forester handling around 700-800 notifications annually. The Salem staff would be down to a very bare bones field support type of function. There would have to be a fairly viable compliant

annual audit. Civil penalties would remain since it is a critical piece of compliance, so the department can demonstrate the FPA is working. It's vital the legislature understands how these kinds of reductions will negatively affect the level of services the department can provide. At the 10% reduction level, the program would try to keep some capability in all areas of the Forest Practices Act. At a 15% reduction level, the program will try to keep some expertise in the FPA. We will have lost the higher-level specialist support in such areas as landslides, roads, wildlife and chemicals. The agency's FPA rules would still be in effect, but the burden (and costs) would be shifted to the landowners to seek out expertise to ensure they are complying with the Forests Practices Act. One option that may be explored is the agency hiring specialty consultants as needed. The hourly rate may be high, but there are many costs the agency would not bear as the person would not be an agency employee.

CFF Member Concerns Related to Budget Reductions

Craig wanted to bring up some things from the symposium that the committee has talked about in previous meetings, but that haven't been touched on in this discussion. These include the demographic change in family forestland owners, conservation easements, and development rights. He wondered where the department thinks these are in terms of what's important to family forestland owners. Susan said that one concern she's heard in Yamhill County is the lack of markets, or the problem of getting the product to the few markets that are still out there. Jim Paul commented that Craig's issues could be tied to the idea of adding value to forestlands as an incentive for the next generation to keep forestland in the family. Mike commented that one area the agency should look at is its relationship with other agencies and organizations in such areas as education. There are organizations and agencies that could provide education in various areas better than the department. The same thing can be said about helping landowners with certification. With ecosystem service markets, however, there isn't anyone else out there handling that. Peter agreed, and suggested inviting someone from Tree Farm and/or someone from OSWA to the next CFF meeting to discuss these issues. Rex stated that the federal legal nexus that includes the Clean Water Act, the Endangered Species Act, the Clean Air Act, etc. all connect to the regulatory purpose of the forest practice rules and it's important the agency maintains the core forest practices effectiveness so that we can maintain that federal legal nexus. Ultimately, we want to avoid the costs of federal regulations. The increase of these costs decreases the value of forestland which could result in the conversion of forestland to other uses.

CFF Response to Reductions

Craig asked the committee members to provide feedback to Peter on their concerns. Mike stated that his number one concern is that field foresters are maintained in each district at a level to at least minimally enforce the forest practice rules, to process forestry assistance, and to tie in fuels management. Keep good people on the ground. Rick said that the buyer component is important to the severity funds and capacity funds Paul talked about in his presentation. Also, education is very important and OFRI is a good source for that. Prevent overlaps with what other agencies or organizations are doing. Susan had a slightly different view of that. Because of ODF's regulatory enforcement function, ODF has a connection with landowners in a way that OSU Extension or OFRI don't have. Her biggest worry is the institutional loss of expertise, both in Salem and in the field. Peter agreed that people are the agency's most valuable resource and the agency is trying to at least keep the expertise within the agency, even if not within Private Forests.

Gary commented that the decisions ODF has made so far are tactically on the right path. Fire protection comes first. Another priority is maintaining the staff and expertise. Reforestation and water protection are very important, and maintaining partnerships with landowners is vital. Craig agreed that the partnerships should be an explicit goal for the agency. Rex thought the policy element and the field element of Private Forests are both very important. The agency needs to focus on the core elements: the federal regulatory nexus, reforestation, core FPA rules, cooperation and willing compliance; the cooperative stewardship relationship we currently have works well. Avoid areas that are being served or could be served by the marketplace and non-government organizations. He agrees with Gary, though, that fire protection is most important. Brad said that while the program will shrink, the department needs to maintain the capacity to respond to things in the future. Try and anticipate what the challenges in the future might be. What the department is building for in the long run may be quite different.

Peter commented that in the short-term, the department needs to figure out how to adapt to the changes and remain effective. In the long-term, how do we respond to increased capacity? Brad added that the public's trust is important. Susan said the department needs to show that ODF works with landowners and doesn't just slap the hands of transgressors. Mike wanted to make it clear he appreciates ODF's communicating and working with the public, including the landowners. Craig said the agency needs to keep the eye on the ball - keep Oregon's forestlands in forestland. During this transitional period, the department should take the opportunity to do some political work. Also, roll the ball on the notion of integrated stewardship foresters who have expertise in several areas. The integrated model has some value. It's time to look at regulatory authorities vs. voluntary. Things are changing; what changes does the department need to make. He said the CFF's advice to ODF is to take advantage of what came out of symposium.

Gary asked how the committee should get the budget info out to the people the CFF represents. Peter answered that it's time for another update letter to symposium attendees. Craig summarized what he thought was made clear during this discussion. One was that there was an affirmation from the committee that the department had been mindful and careful in the strategy and tactics the agency is engaged in cutback management. The department has been very inclusive with the CFF. There is a fair amount of agreement among the committee members around ODF's priorities that fire protection is the top priority, and reasonable agreement that the committee should be supportive of the Wildfire Reduction Act. Craig suggested the program use Rex's list of core elements when making reduction decisions. A couple of value statements were made. One is to keep an eye on the forests and the second is maintaining partnerships with landowners. Mike said that the partnership between ODF and landowners is key. Rick wanted to reiterate that the agency recognize when areas/functions are more appropriately handled by other entities. Peter agreed to summarize the suggestions/comments the committee made today. Craig asked where the committee wants this information to go. It should be sent out to symposium attendees, and distributed to OSWA, OFRI, OSU Extension to send to their constituents. It can also be sent to the media as a press release from the committee.

Next Meeting

December 18 in Salem. Suggestions for the agenda include the governor's budget, OSWA/OFIC view of ODF's budget, Big Look, OFRI's Speakers' Bureau presentation by Mike Cloughesy