Abstract: An issue paper prepared by the Committee for Family Forestlands summarizing its review of issues of concern regarding Oregon’s Eastside forests with a particular focus on family forestlands and their owners. This paper underscores the differences between Eastern Oregon forests and other forests in Oregon, the conditions facing family forestland owners, and implications for forest policy and practices. Key issues are identified, summarized and then recommendations related to each issue are offered. The CFF views this a summary paper of our yearlong investigation into matters on the eastside. This paper is the first step in an on-going commitment to our work related to family forestlands in Oregon’s Eastside.

October 28, 2012

The Committee for Family Forestlands

Craig W, Shinn, Chair                  Susan Watkins, Vice Chair

The Committee for Family Forestlands is a statutory committee appointed by the Board of Forestry to provide the Board with advice and recommendations regarding family forests. The Committee includes family forestland owners from different areas of the state, a citizen-at-large, environmental organization and forest industry representatives as well as ex-officio members representing the Oregon Department of Forestry (ODF), Oregon State University, Oregon Forest Resources Institute, the Oregon Small Woodlands Association, and forestry consulting or logging interests.
EXECUTIVE SUMMARY

The Committee for Family Forestlands has spent the past year focusing on the issues and challenges confronting the communities, forest managers, and in particular, family forestland owners on the Eastside, the vast and diverse part of Oregon east of the Cascade mountains. In its readings, reports and site visit, the Committee identified many specific but highly intertwined issues which, if not addressed, appear to threaten the sustainability of some iconic eastside forests, the landscape they define, and the viability of the families and communities that live among them.

This document identifies 10 separate issues, each followed by the Committee’s recommendations on ways to address the concerns raised. These key issues are:

1. Fire management
2. Changes in species composition
3. Juniper encroachment
4. Grazing
5. Cultural transition
6. Federal forest management
7. Landscape ecology and the link between federal and private lands
8. Loss of forest management and manufacturing infrastructure – another link between federal and private lands
9. Oregon Forest Practices Act (application to eastside forest conditions)
10. Financial viability

But these issues do not occur independently. All are connected, and cannot be separated from one another. They are interwoven, interacting “bundles” of related concerns that need to be considered simultaneously not only to identify potential solutions, but also because affecting one will likely impact several related issues.
A first bundle relates to the complex mosaic of forest types and conditions spread across the eastside. Issues in this bundle may be shaping the mosaic pattern, and/or constrained by it. Key issues here include: fire management; changes in species composition; juniper encroachment; grazing; and cultural transition. Cutting across the mosaic tiles of the landscape are the region’s streams and rivers, making the Forest Practices Act and its riparian management rules another key part in this bundle.

A second bundle relates to the extensive scope and influence of a landscape largely in federal ownership, wherein the private lands - including many family forestlands - are strongly influenced by state and federal policy and federal land and forest management practices. In this bundle are the key issues of: federal forest management; landscape ecology and the link between federal and private lands; and the loss of forest management and manufacturing infrastructure. Also in this bundle is the issue of the Oregon Forest Practices Act and its application of many rules across the eastside that seem designed for westside conditions.

A third bundle of issues illustrates how healthy forest ecosystems are connected to, integrated with, and dependent on the people in the landscape including the presence of a healthy forest industry infrastructure. Changing demographics are a fact of life in eastern Oregon with some people leaving the region because of changes in forest infrastructure and others attracted to the opportunities eastern Oregon offers including family forestland ownership. Many of the key issues in this bundle have to do with factors associated with the decline of wood processing infrastructure on the eastside, and all must be addressed if infrastructure is to rebound and play a role in maintaining healthy forest ecosystems and human communities. Key issues in this bundle include: changes in species composition; landscape ecology and the link between federal and private lands; federal forest management; cultural transitions and financial viability.
OVERVIEW:
The forested landscapes on the eastside of Oregon are undergoing sweeping transitions, both ecologically and culturally. These biological and social elements are inextricably interlinked: Social paradigms change the forests, and the changing forests in turn alter the communities. Past and present silvicultural, fire management, wildlife management, water management, and grazing policies have resulted in forests wherein species composition, stand structure, fire behavior, and hydrologic behavior have all substantially departed from historical norms.

These ecologically altered forests are producing a new and very different matrix of products, problems, and opportunities. Scientists, landowners, special interest groups, and communities are modifying their policies and positions pertaining to public and private lands. The forest sector for two decades has adapted by processing previously unused sizes and species of trees, while simultaneously coping with radical swings in market demands. Communities which historically saw little demographic change are becoming far more diverse. Over the past two decades, some central Oregon communities such as Bend and Redmond have experienced explosive growth while other rural eastern Oregon counties have suffered net population loss, a static or declining workforce, a double-digit unemployment rate, and below-state average wage rates. Many working-age families and young people tend to leave the region, while the in-migration is comprised of very diverse people with varied interests and goals for their forestlands. These increasingly diverse communities often are uncertain about what to expect from their surrounding forests.

Time is of the essence, and the future health and sustainability of eastside forests hinge upon the readiness and ability of policymakers to adopt forest policies that promote effective forest management for the region’s ongoing ecological and cultural change.

This paper is highlights the most serious issues from the perspective of family forestland owners, and suggests ways the Board of Forestry might begin to address them.
KEY ISSUE:

1. **Fire management:** Wildfire, although a natural enemy of the moist forests of western Oregon, was historically a primary steward of the drier forests on the eastside of Oregon, keeping them thinned, sanitized and dominated by fire-adapted, sun-tolerant species. Wildfire, however, does not at first glance appear beneficial. It is not surprising that early forest management policies assumed wildfire was as harmful to dry, inland forests as it is to the moist, coastal forests. Further observation and research led scientists and eventually the public to a better understanding of the critically important role of fire in dry inland forests. Forest policy, however, has lagged behind this emerging scientific and community understanding, and remains heavily focused upon fire suppression through rapid response and the extinguishment of fire. This unprecedented change in the frequency and intensity of fire is having a profound effect on forest conditions and processes. Improved policy would include options designed to empower forestland owners to re-introduce fire into their forests through prescribed burning. For prescribed fire to be feasible, active management to decrease fuel loads must be facilitated and encouraged prior to reintroducing fire in many areas. For family forestland owners fire management raises concerns of adjacency including neighboring stand conditions, risk associated with management goals and asymmetry of liability.

RECOMMENDATIONS:

- Reduce the existing impediments to the practice of prescribed burning:
  - Explore options for making liability insurance available for forestland owners and qualified consultants who engage in prescribed burning.
  - Develop training programs on responsible burning practices for forestland owners and consultants.
  - Enable private forestland owners to hire ODF crews and equipment to conduct and oversee prescribed burning under the umbrella of ODF’s liability insurance.
o Utilize fire funding to conduct thinning and juniper removal projects designed to reduce fire risk and severity.

**KEY ISSUE:**

2. **Changes in species composition:** Eastside forests are marvelously diverse, the result of highly complex topography and variable soils that in turn create a mosaic of microsites and forest types. At the same time, the semi-arid climate, relatively short growing season, and annual late-summer drought create stress that leaves many overcrowded forests vulnerable to insects and disease. Minor shifts in the nutrient balance, light transmission, and moisture retention capabilities of any forest site can produce marked shifts in the species composition of the forest communities that the site can sustain. This affects both vegetative health and forest structure. Forest stands that go too long without disturbances such as fire or thinning become overstocked, and produce shade too dense for the regeneration of the traditionally dominant shade-intolerant species such as pine, larch, and Douglas-fir. The new, more shaded forest understory favors the reproduction of shade-tolerant species such as white fir, grand fir, Engelmann spruce, and subalpine fir. These shade-tolerant species are shorter-lived than are the shade-intolerant pine, larch, and Douglas-fir, and forests dominated by shade-tolerant true-fir species break apart far sooner than would the historical pine and larch-dominated forest. The true-fir-dominated forests also support a very different wildlife community, and produce a very different - and less financially valuable - composite of tree species and related wood products. Family forestland owners seem to be broadly interested in restoring historic species composition regardless of management goals for their lands.

**RECOMMENDATIONS:**

- Create policies and educational and financial assistance programs to empower family forestland owners to restore more resilient, indigenous conditions:
  - Improve family forestland owners' knowledge about historical forest conditions, the potential implications of future climate change, and
manage for more resilient forest structure and species composition. Engage OSU researchers and OSU Extension to become more pro-active about addressing this regional need.

- Provide more technical assistance and better-targeted funding to family forestland owners who desire to restore their forests. Work with the Natural Resource Conservation Service (NRCS), Soil and Water Conservation Districts (SWCDs), and/or watershed councils to set priorities reflecting this need.
- Seek creative ways to fund eastside forest restoration projects to reduce the risk of catastrophic wildfire and improve habitat for fish and game species. An example might be to work with the Oregon Department of Fish and Wildlife (ODFW) and State Parks on the possibility of imposing a surcharge on hunting licenses and/or park fees as a source of restoration funding.

KEY ISSUE:

3. **Juniper encroachment**: Western juniper is a native, fire-sensitive species that was historically quite limited in distribution. Juniper was once largely confined to “fire refugia,” that is, places such as rimrock and other areas with extremely shallow, stony soils where understory vegetation is too thin and sparse to carry a wildfire. Juniper foliage is extremely flammable, and the bark of even mature trees is very thin and easily burned. As a result, juniper seedlings rarely became established on sites with the short fire-return-intervals that were originally the natural and prevailing condition on much of the region’s forest and adjoining rangelands.

Fire suppression policies, however, have removed the natural damper upon juniper reproduction, and this species has now extended its range into most of the region's forest types. On these sites, juniper is now often out-reproducing all other native tree species. The actual extent of this reproductive transition is largely unmonitored, because very few forestland owners or public land management
agencies include juniper when they conduct broad-scale reproductive inventories. The problem of juniper encroachment is particularly acute on privately owned family forestlands, because these properties typically occupy the valuable lower-elevation sites that were formerly dominated by ponderosa pine and Douglas-fir. Impacts include changes in soil moisture regimes. Many of these productive sites may now be only one rotation away from a shift to juniper-dominated plant communities. Parts of Eastern Oregon are literally at risk of losing much of its iconic ponderosa pine forest type and substantial areas of the mixed ponderosa pine – Douglas-fir type as well. The financial implications of this transition are as alarming as are the ecological implications; juniper control treatments are very costly and the species is rarely marketable. Furthermore, juniper is a characteristically bushy tree; its branches usually droop nearly to the ground. This combination of low, bushy growth and extreme flammability makes it a very effective “ladder fuel” capable of transferring ground fires into the crowns of trees. Despite all of the present and future problems related to juniper, however, state policies regarding juniper management and control remain very passive. With appropriate support, family forestland owners have the potential to be leading change agents in juniper management.

RECOMMENDATIONS:

- Develop and implement policies that encourage and help forestland owners, particularly family forestland owners to engage in juniper control.
  - Educate forestland owners about the ecological and financial implications of unimpeded juniper encroachment in forest and rangeland.
  - Design simple monitoring systems forestland owners can use to track forest regeneration and species drift.
  - Become more proactive about designing innovative strategies for achieving juniper control.
  - Recognize landowners and public and private partners that making significant efforts and progress in juniper control.
KEY ISSUE:
4. Grazing: Livestock grazing and forestry are regarded as complementary land uses throughout much of the eastside. If conducted in a manner consistent with good stewardship of the land, both can be fully compatible with maintaining productive forests as well as high-quality water, wildlife, and fisheries. Grazing is important both culturally and economically. Most forested sites are grazed for at least a portion of the year, providing an annual stream of income (rental or sales), which can be a significant contribution towards the viability of a family-owned property operation. Grazing can also substantially affect forest sites for better or for worse, depending largely upon the knowledge level of the forest managers. Used wisely, grazing can be a helpful tool for weed control and for reduction of understory flash fuels. Used imprudently, however, grazing can damage soils, understory plant communities, and water resources. Very little information about integrated forest & range management is available to family forestland owners. Consequently many owners do not understand more than the merest basics of how livestock may benefit or harm their forestlands and so are poorly prepared to effectively oversee or manage grazing on their forestland.

Furthermore, state tax policies reward landowners for agricultural production and favor livestock production over forestry. These types of policies actively incentivize forestland owners to continue grazing and de-emphasize forest resources even where ecological conditions and/or property size are only marginally suited to livestock production and forestry would be a more site-appropriate management goal. Family forestland owners are in a position to assist in carrying out the research and developing best practice guides because of the variation in their land conditions, diversity of management goals and commitment to restorative practices.

RECOMMENDATIONS:
• Develop greater understanding about integrated forest and range management among ODF staff, forestland owners, and managers. Find ways to improve
communications between foresters and range scientists at OSU, perhaps through OSU Extension, which has programs in both forest management and grazing.

- Develop a handbook and/or other educational tools detailing Best Management Practices (BMP’s) for integrated forest and grazing management programs across the various ecoregions of the eastside.
- Eliminate the tax imbalance that encourages grazing on marginal sites.

**KEY ISSUE:**

5. **Cultural transition:** Throughout the eastside of Oregon, there remain families who have lived and breathed forestry for generations. For decades, however, eastside communities have been affected by diminishing timber harvest levels, related unemployment, and a resulting out-migration of many experienced, long-term forestland owners and workers. The forest properties and integrated forest/range properties that once served as a primary source of livelihood for these families are increasingly being purchased by ex-urbanites or retirees. Often, these newer owners have little or no experience with natural resource management but are receptive to learning and may bring other relevant knowledge and valuable skills to the region and their new communities. Many also have outside sources of income and needn’t rely greatly upon the capacity of their land to produce commercial timber; instead they are likely to be prioritizing other natural resource management goals. Policymakers and forestry practitioners often fail to tailor their outreach efforts to accommodate this audience of increasingly diverse family forestland owners. As a result, the rapport and connection between natural resource professionals, forestland owners, managers, and supervisors is often less effective than it could be.

**RECOMMENDATIONS:**

- Seek new ways to engage family forestland owners in dispersed communities in finding place-based solutions to forest management challenges that will retain
and employ people with resource management skills while engaging skills and energy of the region’s new residents.

- Encourage the Oregon Partnership for Forestry Education to develop and deliver programs for new residents and diversifying audiences about forest resource management across the eastside. The Partnership includes ODF, OFRI, OSU Extension, Oregon Tree Farm System, and Oregon Small Woodlands Association among others, so has great potential to reach into communities.

- Review the conditions of land transfers among family forestland owners and among generations of such owners to ensure incentives prompt keeping forestlands in forest.

**KEY ISSUE:**

6. **Federal forest management:** Because federal forestlands dominate the landscape on Oregon’s eastside - over 70% of the region’s forests - the management of national forests creates impacts transcending all forest ownerships across the region. Family forestlands share with national forests their boundaries, road access, property protection, forestry infrastructure, ranch productivity, and community vitality. At the landscape level, forest health is defined by conditions on federal lands. When the federal forests suffer, so do the family forestlands. Eastside family forestland owners increasingly feel disenfranchised by their lack of voice regarding the deteriorating federal forests that impact their lands.

The future sustainability of many eastside family forestlands is in serious jeopardy, largely because of federal forest management trends. Indicators of this problem include the following:

* **Losing timber markets.** Forest sector infrastructure - mill and contract operator capacity - is unraveling in the absence of sufficient federal timber supply. Since 1991, sawlog timber harvest from eastside federal forests has fallen by 92% - declining to 110 million bdft/year (the volume to run just one or two mills). Mills and forest contractors are becoming too few and distant to make forest management economically viable for small-scale family forestlands. Family
forest property values are therefore being devalued. And, lacking sufficient timber markets, family forestland owners who make their living from the land have little or no incentive to invest in forestry rather than non-forest land uses.

**Growing threats.** Overstocked and unhealthy neighboring federal forests and rangelands threaten family forestlands, spreading ecological and financial losses from wildfires, pests, disease, escaped prescribed fires, and invasive plants that originate on under-managed federal lands. Catastrophic damages on overcrowded federal forests disregard property boundaries.

**Unrecoverable damages.** Family forestland owners cannot recover damages from federal causes (fire/pest/disease) because the federal government has sovereign immunity from private damage claims. Conversely, family owners can be found liable for fires that originate on their lands and damage neighboring federal forests.

**Fire protection cost.** Oregon forestland owners, including family forestland owners, pay half the large fire protection costs in the state - assessed as a property tax for fire protection - with only a portion of Oregon Forest Land Protection Fund (OFLP) costs reimbursed for any federal fire. Federal forest fires spreading onto private lands saddle the OFLP with higher preparedness, severity, and firefighting expenses - which leads to higher fire taxes to be paid by family owners in the future.

**Reforestation cost.** Family forestlands suffer unrecoverable reforestation cost when their lands are impacted by federal land bearing insects, disease, and wildfire that spread onto private lands. These reforestation costs can exceed the timber value.

**Access & special use.** Neighboring family forestland owners who depend upon federal easements and use agreements to access or manage their lands suffer from cumbersome federal rules and delays that increasingly make cost-effective road access difficult. Family forest/ rangelands also struggle with unwieldy federal policies that make it difficult for neighboring private grazing or timber
management, forest protection, temporary uses, water rights, habitat enhancement, and juniper control.

**Devalued land & community.** Family forestlands are devalued by the on-going deterioration of their communities in the wake of decreased federal forestry. Rural counties surrounding federal forests currently suffer sub-par demographic statistics: declining workforce size; higher unemployment rate; stagnant or net population loss; falling school enrollment; below-average wage; and elevated poverty, crime, bankruptcy, and foreclosure.

**Property tax hikes.** Eastside family forestland owners are impacted by the loss of so-called federal timber payments to counties and schools. Forestland families suffer from declining school budgets and shrinking public safety or other county services. To make up for lost federal timber receipts, family forestland property taxes may have to be increased drastically, impacting financial viability for owners and thereby further discouraging future forestland use.

Changes that initiate greater state participation in federal forest decision-making could be helpful in keeping eastside Oregon family forestlands healthy, viable, and in continued forest use.

**RECOMMENDATIONS:**

- The Board of Forestry is urged to become more robustly engaged in higher-level policy making on Federal lands in Oregon with specific attention to those on the Eastside. Specific paths might include:
  - Seek a Board member seat on the Governor’s recently announced “O&C BLM forest panel,” which will develop recommendations for increasing timber sales and county revenue from Oregon BLM forests and look for similar opportunities to be represented on panels focused on federal forests in eastern Oregon.
  - Champion development of a State of Oregon policy recommendation concerning needed federal statutory reforms in national forest and BLM
forest management, and forward that recommendation to Oregon’s congressional delegation.

- Develop a formal process to allow the Board and Department of Forestry to represent the State of Oregon in commenting on federal forest planning and policymaking - especially those policy actions that impact Oregon’s non-federal forests and family forestlands.
- Ask the State Forester to convene a ‘Forest Agency Roundtable’, which would engage state and federal forest agency executives (State Forester, USFS Regional Forester, BLM State Director, Oregon Forest Resources Institute Director, and Governor’s Natural Resources Director) in an executive dialogue about improving forest policies that affect one another’s lands.

**KEY ISSUE:**

7. **Landscape ecology and the link between federal and private lands:** The maintenance of healthy forests, waterways, and wildlife requires management at very large spatial scales. This, in turn, requires effective cross-boundary management strategies. The eastside forest landscape consists of an intricate mosaic of public (predominantly federal) and private lands. The forest management strategies employed on any one ownership parcel affect forest outcomes on all of the surrounding properties. Effective communication and collaboration between public land management agencies and private forestland owners is crucial if forests are to be kept healthy over the long term, but at present the level of communication and shared understanding is far from optimal.

**RECOMMENDATIONS:**

- Capitalize upon cultural transition as a tool for improving cross-boundary, landscape-level management by developing pilot programs for local forestland owner collaboratives.
- Encourage and actively sponsor cross-boundary, collaborative policy-making efforts.
• See recommendations associated with Key Issue 6 above.

KEY ISSUE:

8. **Loss of forest management and manufacturing infrastructure – another link between federal and private lands:** Only a handful of working sawmills and chip processors remain in Eastern Oregon and the other regions on the eastside. The remaining facilities are specialized and accept only a few tree species and a specified range of sizes of material. As a result, most forestland owners face such long haul distances and commensurately high harvesting costs that harvesting wood from their forestlands has become impractical. Even in locations where harvesting and haul costs may be reasonable, a forest owner may be unable to sell wood products because the available mill may not be able to process the particular size, species, or quality of material that the owner needs to market. Furthermore, the mills themselves cannot remain competitive under high log haul and harvesting costs. On many properties “forest management” has become “forest non-management” by default. Forests in need of management treatments to improve forest health (thin, regenerate, salvage, sanitation) are more and more often going untended, because many forestland owners cannot afford stewardship treatments for their forests unless they have a viable market for the harvested wood to help cover treatment costs. Under these conditions, family forestlands are at greater risk of being converted to land uses other than forest production, uses that are more likely to provide some financial profit for the owners. The closure of mills and idling of forest contractors is not an easily reversible phenomenon. Although a forest sector infrastructure can theoretically be ‘mothballed’ for a period of time, the protracted 5-plus year duration of the latest market downturn has virtually eliminated much capacity. Rebuilding productive infrastructure capacity will be slower, come at a higher cost, and likely require new investments than following previous market cycles. Reinvestment will need to include attention to both physical capital and human capital as many mill workers and woods workers have left the area to seek employment elsewhere or permanently shifted careers. Family
forestland owners “ride along” in this key issue area but we are clear that forests and communities in eastern Oregon suffer from the loss of forest infrastructure.

**RECOMMENDATIONS:**

- Encourage the Federal Forest Advisory Committee (FFAC) to increase efforts to work with the USFS and collaboratives to establish ecologically responsible steady-stream harvest targets to help stabilize the availability of reliable wood-processing infrastructure. A more predictable, steady-stream federal forest harvest rate will enable forest infrastructure entrepreneurs to maintain a reliable network of wood processing facilities necessary for restoring and sustaining forest health on public and private forestlands.
- Encourage local forest management collaboratives to work with federal policymakers to elevate awareness of the fact that federal forest growth rates now exceed harvest rates by as much as 300 to 400 percent in many locales.
- Look for opportunities for community or place-based solutions to forest health challenges that can contribute to a sustainable forest infrastructure.

**KEY ISSUE:**

9. **Oregon Forest Practices Act (application to eastside forest conditions):**

   Although the Forest Practices Act (FPA) applies throughout Oregon, it seems apparent to many family forestland owners that the FPA was not written with eastside forest conditions in mind. Riparian management area (RMA) rules, reforestation requirements, monitoring, and even data collection are examples of FPA concerns adapted primarily to westside forest conditions. As a result, eastside family forestland owners sometimes find that the rules that are supposed to help them manage their lands productively and sustainably actually serve to frustrate those goals.

   An example may illustrate this disparity between east and west. In riparian areas, FPA rules focus on timber harvests. The FPA allows for limited removal of timber volume in order to maintain and enhance stream values that depend upon shade
and downed woody debris. This focus works well in western Oregon where stream banks often support merchantable trees. On the eastside, however, riparian areas are as prone as other lands to be overtaken by juniper growing outside its historical ecosystem. Consequently, tree removal in eastside RMAs often results from restoration efforts, not timber harvests. Although the FPA allows for alternative plans in some cases and for removal of juniper on small acreages without a written plan, the extra steps the FPA imposes on eastside lands can become roadblocks to desirable projects.

Eastside family forestland streams are unlike westside streams in several respects:
- Drier sites: fewer streams/area, more ephemeral channels
- Distinctive upland forest types
- Unique eco-region differences in RMA vegetation: Blues, Columbia plateau, Klamath-Lake, Cascade slope
- Lower productivity forests, lower values, and limited RMA options
- Higher fire hazards and reoccurrence than western Oregon
- Legacy road and stream juxtaposition unlike western Oregon
- Historically more riparian management than western Oregon
- Greater integration demands from grazing, native ungulates, forest health, fire, access
- Ownership and land use differences: family forestlands that neighbor federal lands, combined ranch/forestry, grazing importance; family forestlands often dissected by streams.

Catastrophic wildfire presents another example of the FPA’s limitations in addressing the basic forestry needs of eastside forestland owners. As the Eastern Oregon Regional Forest Practices Committee pointed out at its September 2012 meeting, landowners who have experienced catastrophic events like wildfire face immediate choices regarding costly restoration and reforestation on often minimally-productive land that may have seen all its timber value burned. The FPA’s reforestation requirements apply equally to market-based and salvage
harvests. Although the rules allow adjustments to stocking levels and reforestation timelines in some circumstances, it is difficult for a landowner to complete those additional steps, receive stewardship forester approval, and remain in FPA compliance. But not all burned forest situations qualify for this alternate plan approval, and when they do, such adjustments require the landowner to invest in development of a plan for alternative practice and ODF staff to expend scarce time reviewing the proposed alternate plan.

For landowners enrolled in a cost-share program, the FPA does provide for adjustment of reforestation requirements for timber stands that have been salvage logged after catastrophic events beyond the landowners’ control. But currently there are no existing cost-share programs available to assist landowners with reforestation efforts. These restrictions provide powerful disincentives to timely reforestation and salvage logging. The future sustainability of eastside family forestlands relies on cost-effective, efficient, and adaptive forest regulations.

RECOMMENDATIONS:

- Direct ODF to utilize the Eastern Oregon Regional Forest Practices Committee, as well as members of the Committee for Family Forestlands, to review FPA statutes and rules and make recommendations to the Board for revisions to make the FPA rules more effective and efficient for eastside forest operations including:
  - reforestation incentives and flexibility after catastrophic events;
  - site-tailored RMA rules; and
  - incentives for improving ecological conditions on family forestland streams.

- Provide training and incentives for family forestland owners to invest in and encourage active management in the RMA for the purpose of sustaining healthy riparian conditions and water quality, as well as restoring the historic variability of open-grown eastside forest riparian zones.
KEY ISSUE:

10. **Financial Viability:** Most family forestland owners tend to have a complex financial relationship with their property that is largely unlike that of large-scale industrial forest owners. Since the 1970’s, studies nationwide have consistently shown that the large majority (roughly 75 percent) of non-industrial or family forest owners do not consider commercial timber management to be their primary ownership goal. Most become forest owners for other reasons such as a desire for a non-urban lifestyle, enjoyment of nature, the wish to live and/or rear their children in a rural setting, the wish to own livestock, a desire to hunt or simply observe and interact with wildlife, an interest in conservation, or a desire to create a tangible natural legacy to pass on to future generations. This may be expected to be particularly true in Oregon on the eastside, where the comparatively semi-arid climate limits the growth of forests, keeping rotations long, stocking levels relatively sparse, and potential profitability commensurately far lower than in western Oregon. Most Eastside family forest owners are well aware that their forestland cannot produce an ongoing livelihood from timber production, although many do rely upon their timber stands for sporadic ‘emergency’ income during times of particular financial need or for an infusion of fortuitous income when timber market conditions are particularly favorable. On many Eastside family forests, “active timber management” is also motivated by forest improvement or restoration objectives rather than simple profit, and these forest owners are often relying upon income from saleable forest products to help pay for their broader land stewardship goals. Preliminary data from Grant County’s ongoing “Healthy Private Timberlands” study indicate that this holds true even in an extremely rural region of eastern Oregon where many families still make a traditional living from their land, primarily through cattle ranching and the periodic sale of timber from their forested range. The study is finding that the majority of Grant County’s family forest owners list “legacy” as their primary objective, and that commercial profit from timber is not among the top three objectives for most owners. This type of local, regional, and national data provides evidence that if appropriate policies are in place to permit owners to maintain the natural ecological attributes
that attracted them to their land in the first place, many family forest owners may be ready allies in the overarching policy goal to keep forestland forested and unfragmented. Unfortunately, however, many existing policies tend to frustrate this long-term goal rather than to empower forest owners to assist in realizing it.

Those eastside family forest owners who do regard commercial timber management as a primary goal often own relatively large and therefore more commercially viable forests, parcels that are large enough in spatial scale to contribute significantly to landscape-level ecology. These larger tracts provide critically important ecological services, including substantial contributions to forest infrastructure, to watershed integrity and to provision of essential habitat for wide-ranging wildlife species. Here again, forest policies can either encourage the likelihood that these acreages will remain productively forested or discourage it. Many existing policies inhibit rather than empower the desire and financial ability of these forest owners to retain their land and keep it forested.

Issues and policies that affect the financial viability of Eastside family forestlands include:

- Taxation policies that deter rather than encourage the retention of forestland.
  - Inheritance taxes. Most states give preferential treatment to forestland during the process of intergenerational transfer by either offering reduced ‘inheritance tax’ rates or altogether eliminating any ‘inheritance tax’ if the heirs who inherit the land agree to keep it forested. Oregon, by contrast, imposes stiff 'inheritance taxes' that force many heirs to subdivide or sell their land or to engage in a crisis sale of their timber to pay the tax. The financial challenges associated with intergenerational transfer are particularly acute in the Eastside setting because the lower productivity of the forests translates into less timber volume available for sale to help pay the inheritance taxes. Family forestland owners who cannot produce enough timber profit to help pay the tax may be driven to sell the land itself.
- **Property tax** policies in Oregon favor agricultural uses over forest uses. East of the Cascades, most family forestlands are found in forest types that support productive understory vegetation that is suitable for grazing. The preferential agricultural tax policies encourage forest owners to prioritize livestock production rather than forest production on these forested rangelands.

- **Harvest income tax** policies do not distinguish between forest management projects that are initiated for restoration or conservation purposes and those designed for routine commercial production purposes. Forest owners who intend to direct the income from thinning or other wood products sales toward the completion of a broad-scale forest restoration or conservation project are not encouraged or rewarded by existing tax policies.

- **Fire protection assessments.** The wildfire fighting services provided by the Oregon Department of Forestry are critically important to forests and forest owners east of the Cascades and are greatly appreciated by family forestland owners. The fire protection assessment tax rates for ‘east-side’ forests, however, are very high, and the ongoing review of these rates is well justified.

- On the comparatively small acreages of most family forestlands, the economies of scale related to active forest management are often highly unfavorable. The cost of bringing forest management or harvest equipment to the property often exceeds any income that the management activity might produce. Consequently, many family forest owners engage in non-management by default. This situation reduces the financial attractiveness of forest ownership and any related enthusiasm on the part of profit-motivated owners to retain forestland, and results in overstocked and consequently unhealthy forests even where non-profit-motivated forest owners would otherwise be enthusiastic about engaging in more active forest stewardship and restoration.

- As described in greater detail in prior sections of this paper, current federal forest management policies affect the financial viability of family forest ownership
through their influence upon landscape-level forest health and the availability of appropriately dispersed wood processing infrastructure.

**RECOMMENDATIONS:**

- Initiate a holistic review and revision of forest taxation policies, recognizing that the intended and unintended consequences of such policies are geographically specific and that eastside forests and forest owners are often affected differently from westside forests and their owners.
  - Examine the potential merits of reducing or eliminating inheritance taxes associated with the intergenerational transfer of family forestlands.
  - Establish a more appropriate parity between agricultural and forest tax policies so that the prioritization of forest retention and management is not disincentivized or penalized by state policies.
  - Revise harvest tax policies to encourage and reward forest owners who engage in forest health improvement and restoration projects.
  - Continue the ongoing critical review of Eastside forest fire protection costs and assessments.
  - Consider recommendations outlined in the 2010 Yale Forest Forum Review of Tax Policies and Family Forest Owners. Further information may be obtained from Committee for Family Forestlands members who participated in the forum.

- Develop capacity within the Oregon Department of Forestry to initiate a pilot program supporting forest owner collectives or cooperatives that improve the ability of forest owners to engage in cross-boundary active forest management projects by sharing equipment, contractors, and services. This would increase the opportunity for watershed-level or landscape-level forest management and stewardship, as well as financially empowering forest owners to better manage their individual properties.
RECOMMENDED READING:


Oregon Forest Resources Institute, “Federal Forestland in Oregon: Coming to Terms with Active Management of Federal Forestlands.” 2010.