Members Present:
John Breese, Matt Delaney, Ken Everett, Rick Fletcher, Mike Haasken, Mike Heath, Patrik Norris and Sara Vickerman.

Members absent:
Mike Atkinson, Douglass Fitti,ng, Jim Johnson, Tom Stoops and Ilene Waldorf.

ODF staff present:
Jim Cathcart, Linda Ellis, Cary Long, Lanny Quackenbush, Steve Vaught and Kevin Weeks.

Guests present:
Kevin Bergquist, Wells Fargo Bank, and Gary Vrooman, Department of Justice.

**Agenda Items**

1. Call to Order / Introductions / Welcome Attending Public

2. Review / Approval of October 11, 2007 Meeting Minutes

3. Draft Administrative Rules

   - Brief Overview – Need for Rule Changes
   - Review Recommendations from the Oregon Department of Justice
   - Finalize Draft Administrative Rules for Consideration by the Board of Forestry

4. Chair Transition

5. Progress Report – Stand Establishment Program

6. Update – Forest Resource Trust Fund Balance – Available Funds

7. Member Roundtable – Announcements / Information Sharing

8. Next Meeting

**Meeting:**

**1. Call to Order / Introductions / Welcome Attending Public:**

- Pat Norris, Chairman, called to order the meeting of the Forest Resource Trust Advisory Committee at 10 a.m. on January 17, 2008 in the Oregon Department of Forestry’s Santiam Room, Building D, 2600 State Street, Salem, Oregon.
• Jim Cathcart introduced guests and some ODF staff including Kevin Weeks, Public Affairs, Gary Vrooman, Department of Justice legal counsel for ODF, Cary Long and Lanny Quackenbush, Private Forest Program managers.

• Pat introduced Kevin Bergquist, Wells Fargo Bank, Forest Products Specialist. Pat invited Kevin to the meeting as Kevin is considering joining the committee to fill the financial specialist spot being vacated by Pat’s leaving.

• There were no members of the general public present.

2. Review / Approval of October 11, 2007 Meeting Minutes:
The committee approved the minutes.

3. Draft Administrative Rules – Implementation of House Bill 2293: Jim Cathcart began with review of the draft rules and gave some background on the bill and the new cost-share program. This version of the rules (revised 1/16/08) has incorporated changes discussed at the Advisory Committee’s October meeting as well as recommendations made by ODF staff and by Department of Justice, Gary Vrooman. Jim noted that today’s discussion pertains to the existing Loan Program and not the Cost-Share Program. Jim will review the cost share rules with ODF staff and Gary Vrooman before the next meeting of this committee. The Loan Program rules were reviewed and the committee’s comments included:

• 629-022-0130 “Project Plan” (pages 8-9) – will not be deleted as originally proposed. Gary recommended retaining in the rules.
  
  (a) Details in the rules are needed to help landowners understand what is required for project plans.

  (b) Loan Program now allows projects not just for reforestation but for other forestry activities that lead to the improved management of forest land for a variety of benefits such as water quality improvement. This rule requires a project plan for any type of loan program project. By contrast, the new cost-share program will not require a project plan.

• General comments and recommendations included:
  
  (a) Need to make sure all rule references are corrected and use new numbers. Staff will do this when new numbers and old numbers are approved by the Archives Division.

  (b) Pat said throughout the rules, upper case letters for the first letter in each word of the defined term or some other method should be used to clearly identify defined terms. Gary Vrooman does not think there is any problem with how rules are formatted or why we couldn’t do that even though it is not a normal practice in rules. The committee agreed that defined terms should be capitalized throughout the rules and this will be made clear in the rules.
(c) Rick recommended removing the defined term “approved practice” from rules because it is inflexible. Jim C. said that this is only for the loan program not for cost-share program. Approved practices are needed for the loan program because the budget for each project is set according to practices that are approved. They are fairly flexible in practice with plan amendments done via e-mail etc. Approved does not mean best management practice, it means practices that were approved by ODF for a particular project. The committee agreed to delete the word “approved” from the rule. (Note: “Approved” practice is also part of the definition of “project”, so that definition will also need to be revised.)

- 629-022-0140 “Approval of a Proposed Project” (page 10) like 629-022-0130 will not be deleted as originally proposed.

- 629-022-0160 “Trust Security Instrument” (page 10-11) was also deleted and some of it has been added back.

(a) Part of section (2) and section (3) deleted because reference to first mortgage is not needed.

(b) Kept reference to security instrument which is still an option and referenced in the statute.

(c) Added “and the products and proceeds derived there from” after “boundaries” in section (2).

(d) Do we want definition of “forest products” (page 3) expanded to include things like mushrooms? Jim reminded the group that there is no requirement to payback the Trust funds unless there is a timber harvest or change of use. See Pg 13-14 repaying Trust funds. As new funds are available perhaps rules could be changed to add other forest products. The current definition (page 3) already includes other products. This is beneficial to the landowner and that was the intent of the existing rules – we don’t want to discourage owners from participating in the Trust. Jim suggested that the rule be retained as is.

(e) Should we revise the rule to describe when a security instrument will be required or just describe that in the loan contract? Jim reminded the committee that the lien is now a springing type lien used as a penalty when there is a breach of contract when there is a harvest (or change of use). The definition for forest products (page 3) supports this intent. Formerly the lien was a deal killer for many potential landowners. Jim said he would prefer to describe when the lien is used only in guidance and in the contract and not to describe it in the rules.

(f) Pat said owners need to understand that loans are usually repaid and they need to know the loan is not a grant. Owners need to know obligations and those obligations should all be in the contract (not in rules) and need to be explained to owners up front.
(g) Jim assured the committee that when additional revenue streams are available, they can revisit the rules, but for now the existing stand establishment program - loan program - these rules are fine. With the 4% simple interest, this is a good deal even in Eastern Oregon.

- 629-022-0500 “Project Criteria” (page 5) - Gary’s recommended that the rules should include some criteria for deciding which projects are more desirable and this criteria needs to be in the rules for the public to see.

- 629-022-xxxx “State Forester Exceptions to these Rules” (page 6) – Gary recommended that the exceptions are needed and should be clearly described in the rules. Gary also confirmed that the statute gives the Board of Forestry the authority to make these rules. The public needs to know how projects are selected and rejected. The committee decided to keep the 2 exceptions described in this version and not to add other exceptions at this time.

- 629-022-0390 “Adequately Stocked Forest Stand” (page 15) – In the past ODF’s legal counsel (DOJ) advised Jim that the rules could not require a stand be stocked above FPA standards (after FTG reached). The definition of “adequately stocked” (page 1) needs to be revised because it does not make sense as it is currently. Gary will review more. Jim suggests leaving it as is (in the rules).

- 629-022-0210 and 0220 “Landowner Obligations” and “Project Rates and Costs” (page 11-12) – Jim had deleted them but after Gary’s comments, put them back in with some changes already agreed to by this committee.

- 629-022-xxxx “Cost-Share Program” (page 17) sections 1-3 – per Gary’s advice, these rules need to be expanded to include more details similar to the Loan Program rules. The public needs to know how to participate in the program. Jim wrote this rule to refer to the process used by ODF for the USFS Forestland Enhancement Program FLEP program. Jim will revise this rule and add more detail and review with ODF staff and Gary later. After that review, revised rules will be sent to the committee for review at its next meeting.

That ends discussion of those rules that Gary commented on. Lunch break.

- Additional comments about the rules included:

  (a) More marketing materials should be developed to attract landowners. Jim distributed the 2007 brochure for the Stand Establishment Program.

  (b) How does the public know what is in these rules? Jim commented that the rules are attached as an exhibit to the Loan Program contracts and he spends a good deal of time reviewing contract documents with owners before they sign. It has been his experience that owners do read them.

  (c) Jim will send the revised rules to Gary and review with him and ODF Private Forest Program managers. He hopes to have the BOF’s initial approval at its
April 29th meeting. Jim recommended that this committee meet before April to finalize the rules. The committee agreed to meet again on March 6. Jim hopes to send the cost-share rules out before then.

- Ken Everett suggested a change to payment process to speed up the payment to the contractor. Refer to 629-022-0040 “Definitions” (10) “Direct cost payment” (page 2) and 629-022-0200 “Implementing the Project Plan; Payments” (page 11):
  
  (a) Currently payments are 2-party payments and are mailed first to the owner who then mails it to the contractor. It is a slow process which can take months.

  (b) Jim said owners can request a different process now. It was set up to protect the landowner.

  (c) Pat said since the contract is between ODF and owner, the check should go through the owner first or at least notify the owner that the payment has been ordered. The Trust is a line of credit; the contractor is working for the owner not for ODF. The owner is responsible for the project. The consultant does work on the owner’s behalf.

  (d) Jim said owners are notified when a payment is ordered now and would continue to be notified when a payment to a vendor is ordered. He will review and consider paying contractors directly.

End of Rules discussion.

4. Chair Transition – Pat has enjoyed being involved with this committee from its inception in the early 1990’s and asked if the committee wants to select an interim chair today. The committee recognized Pat for his service to the Forest Resource Trust and family forest landowners. Jim recommended that since participation by some members is minimal to nonexistent, he and Lanny will search for some new members. With new members, the BOF can then select a new permanent chair. After some discussion, Mike Heath was nominated and he accepted as interim chair. Kevin Bergquist may be interested in joining as a committee member and attend meetings in the future.

5. Progress Report – Stand Establishment Program – Jim Cathcart reported:

- There has not been much activity; 2 projects currently qualified and undergoing project plan development for enrollment (91 acres total);

- One project (18 acres) in Tillamook County was qualified earlier but we decided not to fund it due to high costs and extreme difficulty of the site;

- Three new projects were reviewed but did not meet the 10 contiguous acre requirement and were disqualified;

- Two new applications (52 acres total) being reviewed;

- Several applications (77 acres total) on hold due to various reasons;

- Three qualified projects (101 acres total) remain on hold for various reasons;
• Ken Everett and Rick Barnes are the only consultants under contract currently for landowner outreach. Jim is working on RFP for additional consultants to do outreach in other counties. Consultants under contract are paid using the administrative funds available to the Forest Resource Trust.

• There are 983 acres under contract currently, including 249 acres that are FTG, and 150 acres under review for FTG.

6. Update – Forest Resource Trust Fund Balance – Available Funds: Jim reported:

• Klamath Cogeneration Project (KCP) fund balance includes $390,000 available for new projects (unobligated), $330,000 obligated to current projects and

• $140,000 is available for administration of the program.

• Other funds include $170,000 from original lottery funded projects that exercised the buyout option and paid off the Trust. These funds could be used to fund the new cost share program. Also there is $135,000 from PacifiCorp funds which also may be available for the cost share program. They will want carbon credits from that. Jim needs to talk with PacifiCorp about suitable forestry activities that these funds could be used for. One area might be to help forest health and hazardous fuel treatment projects in forests in danger of loss from uncharacteristically severe wildfire. The West Coast Regional Sequestration Partnership (WESTCARB) is evaluating the carbon dioxide emission reduction benefits from conducting these type of projects; results from that research hope to provide protocols for measuring these reductions for carbon offset purposes.

• KCP funds are available for projects that are Site III or better (to get more carbon credits), not available for Eastern Oregon projects generally. John Breese encouraged the use of some of these funds in eastern Oregon. Jim mentioned he can use the funds on Site IV ground. Steve Vaught will follow-up with a message to east-side Stewardship Foresters that good quality Site IV ground is eligible.

• Other funds are available for the new cost share program but we will need to solicit additional funds for that program as well as for the loan program.

7. Member Roundtable – Information Sharing

• Ken Everett suggested that signs should be posted at Trust projects as a marketing tool for the Trust.

• Sara asked is there obligation to reforest after fire? No. Tax Credit and the Trust are available for fire replanting. Salvage profits are usually not enough to pay for reforesting after fires. Steve Vaught explained the Suspension of Reforestation Rules process related to Trust projects.

• Program funding was discussed:

  (a) Costs are $1,200 – $2,000/ac. From site prep to FTG. Some are under $1,000/ac.

  (b) Administrative funds? High fixed admin costs vs. acres produced in the program. 20% of KCP fund for admin costs initially. Monies received from contract buyouts are also available for administrative costs. Currently, the Forest Resource Trust Manager position is being supported by non-Forest Resource Trust funds so as to save on Trust administrative costs.
(c) KCP had agreed to donate additional matching funds but has not done that. Only donated the original $1.5 million.

(d) We have lowered site standards etc to get more owners interested in program.

(e) Staffing the Trust in Salem and in the field is very difficult with continuous budget cuts by the legislature. Doing the qualification and project plan are added requirements of the Trust that significantly increase the workload with signing up new projects. Revisiting the marketing strategy to forest landowners is needed and fresh initiatives taken. Workload is an issue.

- Marketing the Trust discussed:
  
  (a) Years ago, did direct mailings to potential owners and others.
  
  (b) Currently we advertise in NW Woodlands and at OSU Extension tree school.
  
  (c) GIS capabilities and county assessor inspections may help us do a mailing to underproductive landowners. ODF staff resources is a limiting factor. Rick Fletcher said forestlands are being reclassified by counties now. Not sure what is driving that but apparently it is a process required by statute periodically. May interest more owners to apply for Trust.

- The Western Climate Initiative (WCI) was discussed:
  
  (a) Sara asked if the FRT Advisory Committee could have input on what the WCI Advisory Group is doing with climate change strategy.
  
  (b) What is the status of an “Ecosystem Services” issue submitted by this committee to the BOF last summer? Proposed topics were discussed at the BOF meeting on January 9, 2008. Was this issue accepted as a topic for the BOF’s new work plan? Jim will find out the status of this topic.
  
  (c) Sara commented that she has sent information about ecosystem services including workshops to the BOF and to Ted Lorenson and has not had a response.
  
  (d) Rick suggested this committee contact the WCI Advisory Group to let them know that the Trust already exists as a means to mitigate carbon. It is an opportunity to advertise the Trust as a means of bringing underproductive private forests back to forest and to share the Trust’s experience with forestry based carbon offset projects.
  
  (e) Sara said the Governors office is forming another committee, facilitated by ODF. The committee is “on the fast track” reviewing the role of forests in the Western Climate Initiative. The Oregon Small Woodlands Association (OSWA) is involved with this group as is the Oregon Forest Industries Council (OFIC). Jim is participating in the committee as a technical specialist on the accounting of forestry based carbon offset projects.
  
  (f) Jim will let that group know that this committee wants them to consider the Trust’s experience with forestry based carbon offset projects. Jim will draft a letter communicating as such that will be sent out from Mike Heath (as interim Chair) to the Governor’s Office staff for the Western Climate Initiative. Sara and Lanny Quackenbush will review the draft letter before Mike Heath sends the letter (see attachment).
(g) This is an opportunity for the Trust to seek new funds and to offer a member of this committee to participate with the WCI committee and to kept informed on the work of that group (receive notices and minutes).

9. **Next Meeting:** Thursday, March 6, 2008, from 10-12:30 p.m., here at Salem Headquarters, Bldg. D, Santiam Room. Meeting Adjourned.