

## STAFF REPORT

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Work Plan:	State Forests Work Plan
Topic:	Forest Management Plan Alternatives for NW State Forests
Presentation Title:	Alternative Forest Management Plan Update
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Contact Information:	Liz Dent, State Forests Division Chief (503) 945-7351 <a href="mailto:Liz.F.Dent@Oregon.gov">Liz.F.Dent@Oregon.gov</a> Andy White, NW Oregon Area Director (503) 945-7496 <a href="mailto:Andrew.T.White@Oregon.gov">Andrew.T.White@Oregon.gov</a>

### CONTEXT

The purpose of this staff report is to update the Board of Forestry on work related to Northwest State Forest management planning and ODF financial viability, including that of their Subcommittee on Forest Management Plan - Alternatives for NW State Forests.

Northwest State Forests are managed under the Northwest State Forests Management Plan (FMP) which the Board adopted in 2001 pursuant to its Greatest Permanent Value (GPV) Rule. Analysis of the FMP outputs, at the time of approval, suggested a high level of timber harvest and a corresponding contribution to fish and wildlife habitats and other legally protected or GPV-based public values across the landscape. Once implemented, timber harvest levels and corresponding revenues fell well short of expectations. The recession that began in 2008 drove housing starts to near-record lows, leading to severely depressed timber values and substantial erosion of the Forest Development Fund (FDF). The FDF contains the state's one-third share of timber receipts and serves as the operating account that funds state forest management. It is important to maintain an FDF balance that can accommodate shifts in market conditions while maintaining a sustainable organization. Between 2007 and 2011 the FDF balance dropped by more than half, despite ODF taking counter-balancing measures, including laying off 30 percent of the workforce in 2009 and 2010 and increasing harvest levels to the upper end of ranges identified in the FMP. Today, the FDF has reached critically low levels, with a projected balance to go below zero in 2020.

In 2014, the Center for Biological Diversity issued a Notice of Intent (NOI) to sue the state over ODF's regionally-specific Northwest State Forest management operations alleging failure to adequately protect coastal coho salmon. Actual litigation related to this NOI has not materialized to date. More recently, on January 13, 2016, Linn County announced an NOI to sue the state over an alleged failure to deliver adequate county revenue from timber harvest tied to state forest management. This NOI is supported by timber-industry and county interests, and would involve class-action litigation potentially involving numerous county partners beyond just the Northwest State Forest geographic area. These two NOIs complicate the consensus-based process for balancing competing forest management interests for state forests.

## **BACKGROUND**

In January 2013, the Board received a financial viability report and established a subcommittee to review and gain full understanding of the situation. The report had several findings, one of which was to evaluate changes that could be made to the FMP to increase financial viability. In July 2013 the Board directed the State Forests Division (division) to revise the FMP to meet two goals: achieve financial viability and increase conservation outcomes (commonly referred to as the “twin goals”).

In September 2013, the Board directed the State Forester to convene a stakeholder leadership group to inform the division’s work on alternative forest management plans. Comprised of members from the conservation community, private forest industry, county commissioners, and public at large, the group was charged with identifying revisions to the FMP that would achieve the twin goals. The group did not reach consensus on any one concept, instead proposing five potential management concepts for consideration. The division conducted public outreach meetings, public surveys, and contracted with a science team to conduct an external review of those concepts. Based on this information, in November 2014, the Board directed the division to utilize a land allocation approach as the primary strategy for developing a comprehensive forest management plan, to consider a range of production strategies and conservation measures, and to model and evaluate strategies that present the highest likelihood of achieving the twin goals.

Over the next year, the division presented information describing forest and landscape conditions, fish and wildlife habitat, and distribution of threatened and endangered species listed under the Endangered Species Act (ESA). The division also characterized potential spatial, financial, and conservation outcomes related to management of Northwest State Forests under a land allocation approach. Draft results indicate that, under a 70-30 land allocation approach, financial viability goals could be met for about 20 years, but beyond this time the division would again face financial challenges due to a lack of sufficient harvest-age timber. This allocation approach would also present challenges in attaining the increased conservation element of the twin goals, mostly due to shifting areas currently managed to achieve complex forest structure into a wood production emphasis zone.

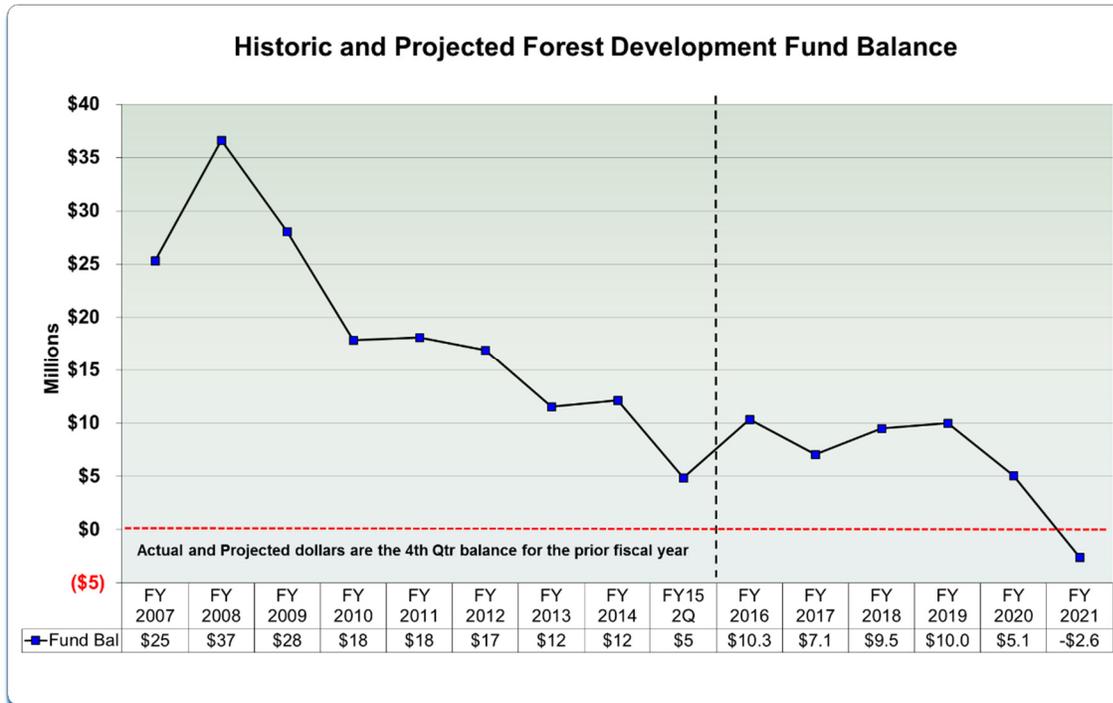
The Board of Forestry has remained committed to the twin goals of achieving financial viability and improving conservation outcomes. Over the past year the division has worked with stakeholders and produced a wide range of analyses for the Board’s consideration. The Board determined that more information is needed to weigh the potential benefits of a revised FMP compared to those provided under the current FMP.

At its January 2016 meeting, the Board directed the division to model for closer evaluation four management approaches in a land allocation context that would cover a range of production and conservation strategies and to consider pursuing a programmatic Endangered Species Act (ESA) compliance tool. The approaches included management under:

1. The current FMP
2. A two-zoned approach
3. A three-zoned approach
4. The Oregon Forest Practices Act

**Forest Development Fund Revenue Projection**

While additional analyses will provide a stronger foundation for an eventual policy decision, they will also require significant time and resources, delaying the likely timing of a decision by a period of years. Meanwhile there is an increasingly urgent need to address the dwindling balance in the FDF, which is predicted to continue in a downward trend and reach a negative balance in fiscal year 2020 (winter of 2019). The agency’s highest priority is to balance our State Forests’ budget, ensuring that annual revenues retained by the division meet or exceed annual expenses.



**Agency Focus**

Aligning Implementation Plans with Resource Protection Policies. The division is currently working on revisions to district implementation plans (IPs) in order to align them with changes in ODF’s resource protection policies and shifted distributions of listed northern spotted owls and marbled murrelets. This updated information requires adjustments to landscape design to better reflect current resource protection requirements, as well as those areas available for harvest. These updates were put on hold in anticipation of IP revisions that would have been associated with a new FMP. This work must proceed in order to remain consistent with the current FMP, resource protection policies and related laws.

Improving Inventory, Growth, and Yield Information. Historically, there have been many discussions with the public, legislature, counties, and Board of Forestry about the complexity, accuracy and overall confidence in the division’s inventory, projected growth, and sustainable yield and harvest level calculations. Recently, the most formal feedback was provided by the Technical Expert Review Group (TERG).

In recognition of these concerns, and in the context of continuous improvement and refinement of information relevant to any forest manager, ODF is moving forward to seek third-party technical review of inventory and growth and yield data and processes for near and longer term use. The intent is to utilize the findings to support the next set of harvest projections, policy discussions, and management decisions. This task will take several months and will require resources and staff time to implement.

Programmatic ESA Compliance Tool. Programmatic compliance tools include Habitat Conservation Plans (HCPs), Safe Harbor Agreements (SHAs), or other mechanisms under the federal ESA. These would involve agreements between ODF and federal agencies to promote conservation outcomes and operational certainty for timber supply and other outcomes. Without such agreements, individual operations are evaluated on a case-by-case basis, including costly owl and murrelet surveys. Programmatic compliance tools increase efficiency, control costs, and improve management predictability.

Ultimately, any approach to ESA compliance—whether through take avoidance or programmatic compliance—will affect landscape design, allocation, and management implementation across state-owned forest lands. A programmatic agreement would likely result in a more explicit and up-front landscape allocation, whereas take avoidance would result in case-specific allocations tied to the timing and scale of individual projects. ODF is currently collaborating with the U.S. Fish and Wildlife Service on a Safe Harbor Agreement for northern spotted owls on ODF's Western Lane District. The work to date indicates advantages for both conservation and financial viability, at least at this smaller district scale. Whether a programmatic ESA approach is possible at a larger scale across Board of Forestry-owned lands remains an open question and will require significant ODF work and resources.

## **SUMMARY**

ODF staff, stakeholders, the subcommittee and the Board have invested a great deal of time and effort in the FMP revision process to date. The Board has reviewed a wide range of data characterizing forest conditions, conservation areas and benefits, and draft modeled revenue outcomes that could result from a land allocation approach. Meanwhile, the FDF balance continues to decline and the account balance will go below zero in fiscal year 2020.

## **NEXT STEPS**

Given the urgency of ODF's financial situation, the complexity of analysis needs, and the uncertainty posed by multiple NOIs, the department will focus efforts on four key priority areas: 1) third-party technical review of inventory and growth and yield data and processes for near and longer term use; 2) alignment of IPs with the current FMP and further implementation; 3) further exploration of ESA compliance mechanisms; 4) continued adaptation of state forest business practices to seek efficiencies. Staff will return to the Board in the future with updates as work products and other information becomes available.

## **RECOMMENDATIONS**

Information only.