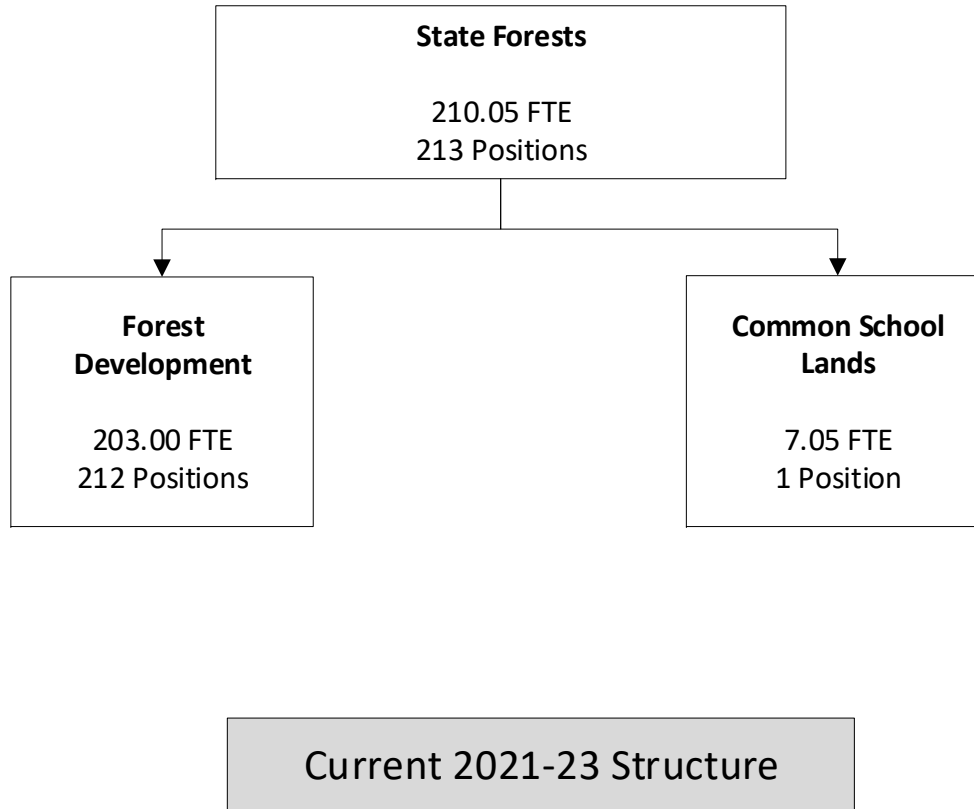
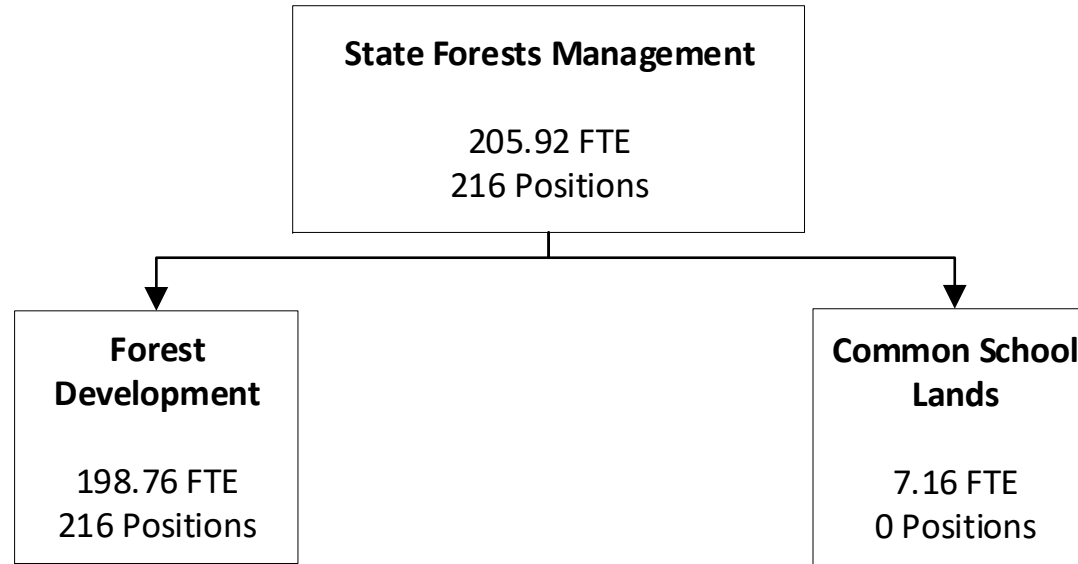


State Forests Division Narrative

Organization Charts



State Forests Division Narrative



Prior 2019-21 Structure

State Forests Division Narrative

Executive Summary

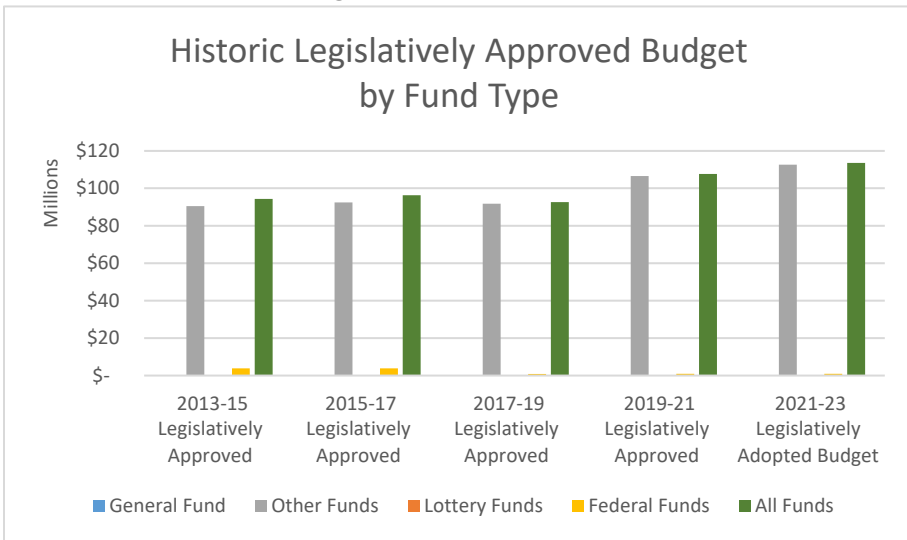
Long-Term Focus Areas

Primary Outcome Area:	Responsible environmental stewardship
Secondary Outcome Area:	Social equity—Rural communities
Tertiary Outcome Area:	Social equity—Access to the outdoors

Primary Division Contact

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Division Total Funds Budget



Division Overview

The State Forests Division manages 729,718 acres of state forests to provide a range of sustainable public benefits to Oregonians. During the first half of the 20th Century, counties deeded most of these lands to the Oregon Department of Forestry following catastrophic fires, intense timber harvests, and subsequent tax foreclosures. Through time and purposeful management, the State Forests Division restored the forests and watersheds, and today the management of these lands provide Oregonians with local wood products, jobs and economic support, revenue for counties and local schools, clean water,

high-quality fish and wildlife habitat, and recreation, education and interpretation opportunities. In addition to state forests, the Department of Forestry also manages 33,005 acres of Common School Fund Lands under a management agreement with Department of State Lands that reimburses ODF for management expenses.

Division Funding

For 2021-23, the State Forests Division received \$113,545,991 (\$112,598,383 Other Funds, \$947,608 Federal Funds).

The State Forests Division is almost entirely funded through the sale of timber, and its financial viability is strongly tied to the timber market. The counties that deeded these forests to the state have a protected interest in receiving revenues from these forest lands. Revenue generated through forest management is split with the counties in which these forests are managed. The counties receive 63.75% of the revenue, with the remaining 36.25 percent retained by the division. The division’s share of this revenue funds core business such as management planning and timber sales; reforestation, young stand management, and forest stand inventory; threatened and endangered species surveys and protection measures; road construction and maintenance; education, interpretation, and recreation programs and infrastructure; facilities operations; research and monitoring; policy analyses and legislative actions; litigation expenses; and wildfire protection. The division is currently restructuring to modernize workflows to more effectively and cost-efficiently deliver state services, while making other technological improvements and expanding methods for marketing timber – all of which are designed to contain costs and increase revenue.

Looking beyond the 2021-23 biennium, estimated costs are \$120,644,862 for 2023-25, and \$128,199,726 for 2025-27.

Division Description

State forests represent just 3% of Oregon’s forestland base. The division manages two land bases: 1) Board of Forestry Lands and 2) Common School Forest Lands (owned by the State Land Board).

A visit to any of Oregon’s state forestlands will show a working forest. These forests reflect varied and shared values by integrating active timber

State Forests Division Narrative

management, high-value conservation areas, stream buffers, important wildlife areas, and recreation. A visit to any of the policy-setting arenas, local or statewide, will reveal ongoing and vigorous debates about the mix of benefits these forestlands provide. The division's success depends on open conversations and working with diverse interest groups to meet both statutory requirements and the Board of Forestry's goals for managing state forestland.

Board of Forestry lands were acquired after fires, extractive logging and tax foreclosures during the last century. Through time and purposeful management, they have been and can continue to be restored to healthy, productive forests. These lands include the Tillamook, Clatsop, Santiam, Gilchrist and Sun Pass state forests, and scattered parcels throughout western Oregon. By law, the State Forests Division manages these forestlands to achieve "greatest permanent value," to the people of Oregon, which is defined in administrative rule as healthy, productive and sustainable forest ecosystems that, over time and across the landscape, provide a full range of social, economic and environmental benefits for Oregonians. Many state forests are near urban areas and are easily accessible for most Oregonians. Oregon's Forest Trust Land Counties, which deeded the land that became the Board of Forestry lands, provide input on managing these lands regularly to the Board of Forestry and the division.

Public expectations and demands on state forests have increased over the past 30 years, with increasing numbers of fish and wildlife species listed as threatened or endangered, increasing pressures and interest in recreation, the continued importance of timber harvest to rural communities and timber-based economies, and litigation from competing interest groups. These pressures and expectations require a fresh look at policies and business practices.

Common School Fund Lands are managed under the Oregon Constitution's requirement to secure the greatest benefit for the people of the state, consistent with the conservation of this resource under sound techniques of land management. The Common School Fund receives the revenue from Common School forestlands. The State Land Board — consisting of the Governor, State Treasurer and Secretary of State — works through the Department of State Lands to provide guidance for managing these forestlands. The State Forests Division manages the lands for the Department of State Lands under a

management agreement that reimburses the Department of Forestry for management expenses.

Cost drivers. Factors putting pressure on the State Forests Division's economic sustainability include increased public demands for State Forests' services, timber market fluctuations, international competition in the timber market, legal costs associated with lawsuits, and escalating administrative costs. The State Forests Division plays a key role in supporting ODF's fire protection mission by providing training and firefighting resources.

Dependency on Timber Revenue. The State Forests Division relies on timber sale revenue to support operations and generate income for the counties. The division faces a long-term funding challenge as increased costs threatened to outpace the division's portion of harvest revenues. This funding model also makes the division vulnerable to litigation, shifts in the timber market, or changes in forest conditions from disturbances such as fire, flood, insects, disease, and windstorms. These conditions suggest that a business model with greater flexibility and diverse income streams would provide greater financial stability.

Litigation. As a public forestland manager, we serve a variety of public interests. Often stakeholders hold competing interests and expectations. A challenging litigious environment taxes both financial and staff resources.

Division Justification and Link to Long-Term Outcome

The State Forests Division contributes to several elements of the Governor's long-term vision for Oregon:

Responsible Environmental Stewardship. State forests are managed to create healthy, productive forests that are resilient in the face of natural disturbances such as wildfire, insect and disease, wind events, and ice storms. State forests provide clean water and are managed, conserved, and restored to provide overall biological diversity of state forest lands, including the variety of habitats for native fish and wildlife, and accompanying ecological processes. State forests provide ecosystem services that enhance the quality of life for all Oregonians and draw visitors. The division helps provide these benefits by actively managing forests, designating conservation areas, and quickly reforesting after harvests with well-adapted native tree species to grow healthy forests. The division helps protect habitat known to be used by threatened and endangered species.

State Forests Division Narrative

Both field and headquarters staff review and research the best possible science to help state forests maximize environmental benefits.

Social Equity—Rural Communities: Active forest management provides revenue for counties and rural communities, social services and education. It builds communities by supporting family-wage jobs and contributing to local, regional and state economies.

Timber sales are expected to generate: \$149 million for counties in which state forests are managed by the division, \$8.3 million for the Common School Fund, and \$87 million for the department’s land management work. State forest timber harvests support approximately 900 direct jobs and 3,141 total jobs and adds \$193 million in labor income directly to the state economy. Timber revenues distributed to the counties support local K-12 education, health and human services, public safety and other essential community functions. Common School Fund income estimates are roughly 25% higher than last biennium. Indirect economic benefits associated with services such as recreation, drawing visitors to rural communities, and maintaining healthy forests, habitats, and watersheds have not been quantified.

Social Equity—Access to the Benefits of Forests and Outdoors: The division provides equitable, lasting and diverse outdoor recreational, interpretive, and educational experiences that inspire visitors to enjoy, respect, and connect with Oregon’s state forests. There are 21 campgrounds, over 600 miles of motorized and non-motorized trails, and 5 day-use areas, boat launches, targeting shooting areas, demonstration forests, and trailheads on state forestlands. The Tillamook Forest Center provides hands-on education and interpretation activities in outdoor settings and interpretative classrooms. The Center receives over 54,0000 visitors a year and commonly provides forestry education programs, interpretive public programs and offerings, and recreation services.

Another contribution to social benefits is associated with the South Fork Inmate Camp. In partnership with the Department of Corrections, ODF provides a work program at South Fork Forest Camp to approximately 200 minimum security adults in custody. The adults in custody in this program perform a variety of necessary task associated with forest management, recreation facilities and trail maintenance and fire suppression. This program currently has the

lowest recidivism rate of any correctional facility in Oregon and teaches jobs skills to men that provide options for employment after prison, empowering them to be self-sufficient and providing social benefits to all Oregonians.

Division Performance

State forests provide a full range of economic, environmental and social benefits, many of which are difficult to directly measure. Timber harvest and income provide one metric for measuring program performance. The table below shows the current performance.

Timber harvests and revenue (five-year annual averages FY15-FY19)

Land type	Net Harvest Revenues	Revenue to counties, others	Revenues for ODF land management	Harvest (millions of board feet)
Board of Forestry	\$109 million	\$68 million	\$41 million	274

For Board of Forestry lands, per current Forest Management Plans projections, future harvest levels are expected to range from 225 to 236 million board feet. Harvest levels are expected to be around 6 million board feet for Common School Fund lands.

Other outcomes and areas of program performance that support long-term focus areas:

- Models from the Bureau of Business and Economic Research on Oregon’s operations indicate that state forests’ five-year average timber harvests provide approximately 900 direct jobs, 3,141 total jobs and adds \$193 million in labor income directly to the state economy.
- More than 17,000 TFC visitors engage with staff and learn the story of the Tillamook State Forest, state forest management, wildfire prevention, and forest-recreation information.
- For Common School Fund lands, harvest levels for the past five years have averaged 10 million board feet, which generated \$4 million annually for the fund.
- The department has a rich tradition of protecting and enhancing streams on lands that it manages. Since 2010, nearly 45 miles of fish

State Forests Division Narrative

access has been restored and 46 fish barriers have been removed, modified, or replaced.

- State forests provide important habitat for native wildlife including the threatened Northern Spotted Owl and Marbled Murrelet. There are 107 northern spotted owl sites and 255 marbled murrelet areas protected on state forests throughout Oregon.
- More than 1,500,000 people recreate on state forestlands each year, and more than 40,000 people use designated campgrounds. The State Forests Division provides about 500 miles of trails for motorized use and 179 miles for non-motorized use.
- In 2019, South Fork crews responded to 15 fires in northwest Oregon and eight large fires in southwest Oregon. Crews also planted nearly 200,000 trees, managed more than 180 miles of recreation trails, and maintained dozens of campgrounds and day-use areas.

Enabling Legislation/Program Authorization

ORS 530 describes the acquisition and management of state-owned forestlands.

Funding Streams Supporting the Division

The division and state forest operations are about 98% funded by timber revenue. On Board of Forestry lands, the law requires the department to retain 36.25% of harvest revenues for program operations, land management, and fire protection. The remainder is distributed to the counties within which the forests are managed.

On Common School Lands, the Common School Fund reimburses the Department of Forestry for all operating and managing expenses. The Oregon Parks and Recreation Department transfers revenues from managing off-highway vehicles to the division.

Program Unit Narrative

Activities, Programs, and Issues

Policy Changes: Forest management practices evolve as new science emerges and society's interests change. The program is working at the direction of the Board of Forestry on a revised forest plan for western Oregon that would enhance state forest management. The strategies include ensuring the division's long-term financial viability and increasing conservation outcomes while balancing social benefits. The Board of Forestry also directed the division to

explore the potential financial and conservation benefits of Habitat Conservation Plan (HCP). An HCP is a programmatic Endangered Species Act compliance tool that can increase conservation and contribute to the recovery of threatened and endangered species while providing long-term assurances for forest management.

Business Improvements. The State Forests Division is implementing organizational changes to increase efficiency, contain costs, and modernize business practices. The use of new timber marketing strategies (e.g., "sort sales") have increased economic outcomes, and technological improvements will increase efficiency of timber sale contracting, wood tracking, purchaser invoicing, and revenue distribution. Modifications to 10-year forest management implementation plans adjust how policies are implemented in the face of new information and changing forest and wildlife conditions.

Diversifying Revenue Streams. The division continues to develop partnerships, collaborate with other agencies, and pursue grants to seek sources of revenue other than timber receipts.

Litigation: A major issue for the State Forests Division is the involvement in a major lawsuit brought by five fishing and conservation groups related to Coho salmon under the Endangered Species Act. Litigation requires significant and unanticipated staff work to prepare a legal defense and thus greatly increases operating costs. Basic program functions are constrained as day-to-day operating efforts must be redirected to defend against litigation.

Firefighting support: ODF leverages resources from across the department to assist with fire protection efforts, particularly during times of high fire activity. This is a highly efficient way of ensuring the availability of personnel with specialized, but only intermittently needed, skills. However, it can have a negative impact on the accomplishment of core business within the State Forests Division, especially with the increase in large fire activity over the past decade. Longer, more intense fire seasons have resulted in fatigue and strain on division staff and core business capacity.

Tillamook State Forest restoration: The Tillamook State Forest burned in four large catastrophic fires between 1933 and 1951, known geographically as the "Tillamook Burn." After so many fires, the lands had no value. Many timber owners defaulted on their property taxes, wildlife was displaced with no

State Forests Division Narrative

habitat to return to, and ownership went to the county and was subsequently deeded to the state. Salvage logging took place on some lands during this time, along with felling snags and constructing fire breaks. Roads were constructed throughout the forest to salvage timber and provide access for future firefighting efforts. The counties deeded the forest to the Department of Forestry and Oregonians approved bonds to begin what was the largest reforestation effort of its time. Today, The Tillamook State Forest encompasses 348,970 acres and supports important habitat for native fish and wildlife, provides recreation opportunities, supports timber-related economies, and provides essential revenues to county governments. However, approximately 26% of the Tillamook District is dominated by deteriorating alder stands due to the challenges of reforestation following the Tillamook Burn, and Swiss Needle Cast (SNC) affects 46% of Douglas fir stands. Aerial surveys, research plots, and stand growth evaluations show a significant loss of growth on SNC-impacted stands. These deteriorating stands, combined with operational constraints, such as steep slopes that are expensive to log, significantly impact the ability to generate revenue. Restoring this forest, while potentially a costly endeavor, is a good business decision that will have immediate benefits to local communities and establish a healthy and productive forest for future generations with positive outcomes for fish and wildlife.

Important Background for Decision Makers

Due to increased costs of management activities on state-owned forestland, the division is comprehensively re-examining its business model and has initiated several strategies to create positive, lasting change. As described previously, long-term projected revenues are not expected to cover management costs for these lands to produce the broad range of benefits expected by Oregonians and required by state and federal law. Recent improvements in the timber market have improved the near-term financial outcome and allowed for renewed forest investments such as young stand management, recreation services, and data collection.

Revenue

Operating and administrative costs for managing state-owned forests are supported almost entirely by timber sale revenue (98%). On Board of Forestry lands, the law requires about 63.75% of the income to go to local counties. The department keeps the remaining 36.25% for operating the division, including forest management and wildfire protection.

The Oregon Parks and Recreation Department transfers revenue for managing off-highway vehicle recreation facilities on state forest lands. Besides revenue from timber sales, recreation activities and minor forest products sales earn limited income.

On Common School Lands, the Common School Fund pays operating and managing expenses. The Department of State Lands reimburses the Department of Forestry for these costs.

In addition, when federal grants are available to support our mission and mandates, the department goes through the application process and occasionally receive minor amounts of federal funding.

Proposed New Laws

None.

Base Budget & Essential Packages

Package 000– Current Service Level Exception Request-Base Budget Change

In the State Forest Division there were two base adjustments, step adjustments for seasonal positions vacant during ORPICS roll, and moving funding of positions with less than one month of funds in a DCR. There was no change to position count and an increase of 0.03 FTE.

Package 010– Vacancy Factor and Non-ORPICS Personal Services

This package includes standard inflation of 4.3% on non-ORPICS items such as temporaries, overtime, shift differential, all other differentials and unemployment compensation, including the OPE associated with them.

Package 022– Phased-out Programs and One-time Costs

The purpose of this package is to phase out one-time budget increases remaining from prior biennia. In the State Forests Division, one-time funding for a land purchase in adjacent to the Santiam State Forest is being phased out. This results in a decrease of (\$200,000) of General Fund. There were no changes to position counts or FTE.

Package 031– Standard Inflation and State Government Service Charge

The purpose of this package is to include a set of standardized inflation rates for all agencies, increasing their budgets above their final Base amounts for all non-

State Forests Division Narrative

Personal Services expenditure accounts. These rates are 4.3% for standard or “generic” accounts, and then larger rates for “Price List Accounts,” specifically 5.7% for Professional Services and 19.43% for Attorney General charges. There is no change to position counts or FTE.

Package 060– Technical Adjustments

The purpose of this package is to move the risk portion of State Government Service Charges out of all operating programs and into the Agency Administration SCR. There is no change to position counts or FTE.

Program Enhancement Packages

Summary of All Division Enhancement Packages

Package Number	Component Title	All Funds	Positions / FTEs
101	Fire Organizational Sustainability & Modernization	(\$27,756)	(1)/0.71
810	Statewide Adjustments	(\$108,056)	0/0.00
Total Packages:		(\$135,812)	(1)/0.71

Package Narrative

Package 101-Organizational Sustainability & Modernization

Purpose: Oregon’s complete and coordinated protection system relies on a broad range of landowner, contractor and cooperators engagement. Strategic workforce planning and development of a comprehensive training program are key elements for success. This package is to add specialists in fire finance, prevention/investigation, training, aviation, multi-agency coordination and fire information technologies. This package also provides protection system investments to ensure a comprehensive response to the increasingly complex fire condition across Oregon’s landscape. Additional capacity is necessary to maintain Oregon’s complete and coordinated system, ensure that ODF’s core businesses across all divisions are met, and advance ODF’s initial and extended attack strategy to remain effective in the context of growing fire complexity.

How Achieved: This is a funds shift to align positions within programs. In the State Forests Program, Package 101 eliminates a Forest Manager 2, 1 position

(0.75 FTE) and moves the position to the Fire Protection division. Three existing positions are extended by a total of 35 months (1.46 FTE).

Staffing Impact: Decrease of one position and increase of 0.71 FTE due to realignment.

Funding:

	<u>Agency Request Budget</u>	<u>Governor’s Budget</u>	<u>Legislatively Adopted Budget</u>
General Fund	\$0	\$0	\$0
Other Funds	(\$27,756)	(\$27,756)	(\$27,756)
Federal Funds	\$0	\$0	\$0
All Funds	(\$27,756)	(\$27,756)	(\$27,756)
Position/FTE:	(1)/0.71	(1)/0.71	(1)/0.71

Package 810-Statewide Adjustments

Purpose: This is an analyst package to adjust agency budgets statewide as a result of changes to centralized State services, such as administrative charges for DAS and the Attorney General. These reductions are partially in State Government Service Charges, which are paid by Agency Administration and funded through the Admin Prorate from operating programs with General Fund.

In the State Forests program these reductions are for estimated charges such as SDC, EGS, Parks Assessment, and Procurement.

Staffing Impact: None.

Quantifying Results: The State Forest portion of this package is a combination of Other Funds and Federal Funds

Revenue Source:

	<u>Agency Request Budget</u>	<u>Governor’s Budget</u>	<u>Legislatively Adopted Budget</u>
General Fund	\$0	\$0	\$0
Other Funds	\$0	\$0	(\$107,181)
Federal Funds	\$0	\$0	(\$875)
All Funds	\$0	\$0	(\$108,056)
Position/FTE:	0/0.00	0/0.00	0/0.00

State Forests Division Narrative

Detail of Revenue 107BF07

Source	Fund	ORBITS Revenue Acct	2017-2019 Actual	2019-21 Legislatively Adopted	2019-21 Estimated	2021-23		
						Agency Request	Governor's	Legislatively Adopted
State Forest Land Sales	3400	0730	\$289,209,868	\$234,362,797	\$348,301,554	\$262,589,125	\$262,589,125	\$262,589,125
Common School Land Sales	3400	0735	\$4,072,356	\$6,756,872	\$9,245,300	\$8,276,508	\$8,276,508	\$8,276,508
Other Revenue	3400	0975	\$164,922	\$9,616,550	\$616,550	\$8,573,025	\$8,573,025	\$8,573,025
Federal Funds	6400	0995	\$0	\$909,381	\$909,381	\$950,000	\$910,898	\$950,000
Transfer From State Lands	3400	1141	\$2,687,738	\$4,819,961	\$4,819,961	\$4,301,496	\$4,819,961	\$4,819,961
Transfer From Parks & Rec	3400	1634	\$1,470,491	\$1,591,857	\$1,591,857	\$1,787,438	\$1,787,468	\$1,787,438
Transfers Out – Intrafund	3400	2010	(\$18,476,951)	(\$15,787,129)	(\$15,787,129)	(\$15,390,452)	(\$15,390,452)	(\$13,348,795)
Transfer to Counties	3400	2080	(\$167,799,855)	(\$126,402,023)	(\$178,698,624)	(\$149,168,401)	(\$149,168,401)	(\$149,168,401)
Transfer to State Lands Dept	3400	2141	(\$3,493,899)	(\$6,756,872)	(\$2,831,300)	(\$7,500,000)	(\$7,500,000)	(\$7,500,000)